[redacted]

**Squaring the circle**
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# FINANCIAL TIMES

Europe's Business Newspaper

THURSDAY SEPTEMBER 22 1994


## Bonn lifts growth forecast to 2.5% ahead of election

German economic growth was forecast to increase next year after this year's faster-than-expected recovery from recession. Economics minister Günter Rexrodt (left) told parliament the government expected the economy to grow by 3 per cent in 1995. For this year he estimated that expansion would reach 2.5 per cent instead of a previously projected 2.25 per cent. The optimistic predictions, just ahead of the October 16 federal elections, coincided with the release of data showing a slower-than-expected growth in August money supply. Page 14 and Lex

**Cash flows out of BAe:** Underlying profits at British Aerospace trebled to £90m ($138m) from £29m in the six months to June 30, but BAe shares fell 26p to 445p when the market learned that the company saw a first-half cash outflow despite the £800m sale of Rover to German carmaker BMW. Page 15; Lex, Page 14

**Polish PM accused over sell-off delay:** Polish prime minister Waldemar Pawlak was accused of blocking the country's privatisation scheme, which was launched four years ago and has limped through five governments. Page 2

**Imi half-year profits down:** Consolidated interim profits at partly-privatised Italian banking group Istituto Mobiliare Italiano fell to L208.1bn ($133m) from L293bn because of difficult financial markets. Page 16

**No charges against Michael Jackson:** Prosecutors in Los Angeles said they would not bring criminal charges against Michael Jackson despite a 14-year-old boy's claims that the singer sexually molested him.

**UK's non-EU exports rise:** British exports to countries outside the European Union rose to record levels last month, with UK manufacturers reaping the benefits of strong growth in the US and Far Eastern economies. Page 7

**Lehman Brothers barely breaks even:** Lehman Brothers, US investment bank spun off from American Express, barely broke even in the three months to the end of August, managing a return on capital of 1.6 per cent. Page 16

**Arjo not to bid for US paper mills:** Shares in Arjo Wiggins Appleton rose 12p to 263p after the Anglo-French paper group denied it would bid for S. Warren, owner of four big US paper mills, which is being auctioned by Scott Paper Company. Page 16; Lex, Page 14

**Chilean cabinet changed after criticism:** After only six months in office, Chilean president Eduardo Frei of Chile reshuffled his cabinet in response to criticism. Page 6

**Pakistan to buy French submarines:** Pakistan said it would buy three Agosta class submarines from France in a deal worth $950m (£613m). Page 3 Thaw sets in with Pakistan, Page 4

**Japan's GDP down 0.4% in quarter:** The weakness of Japan's economic recovery was underlined by figures showing a drop of 0.4 per cent in gross domestic product in the second quarter. Page 5

**Tokyo brokers lower forecasts:** Sluggish trading volume on the Tokyo stock market has led Japan's "big four" brokers – Nomura, Daiwa, Nikko and Yamaichi – to revise downwards their interim earnings forecasts. Page 19

**England striker Gary Lineker to retire**

Former England striker Gary Lineker (left) is to retire from soccer in November because of injury problems. Lineker, 33, joined his home-town club Leicester in 1978 and later played for Everton, Barcelona and Tottenham before moving to Japanese side Grampus Eight. During his 80-cap England career he scored 48 goals, one short of Bobby Charlton's record.

**Spanish incentives boost car sales:** The Spanish motor industry claimed that new car sales rose by 85,000 in the five months to August because of government financial incentives for the scrapping of old cars. Page 2

# Thatcher backs down in S Africa row with Major

## UK prime minister speaks of optimism for country's future

By Kevin Brown, Political Correspondent, in Johannesburg

Mr John Major, UK prime minister, won a signal victory over Baroness Thatcher, his predecessor, last night when the former prime minister backed down after a long-distance row over South Africa's economic prospects.

The row, which threatened to overshadow a three-day official visit to South Africa by Mr Major, arose after Lady Thatcher during a trip to India dismissed South Africa's hopes of attracting international investment.

She told businessmen at an official British gathering in Bombay that investors were afraid of violence and social unrest in South Africa, in spite of the formation of a government of national unity after the country's first all-race elections in April.

"What you are getting is people who look at the rest of Africa. They say 'Look at Rwanda, look at Somalia'. Are we going to have the same thing happening in South Africa?" she said.

Lady Thatcher, who also described Nigeria as "a terrible mess", pointed to tensions between Zulu leaders as evidence of continuing friction in South Africa. "There will be a certain amount of trouble there. This is why people are holding back," she said.

However, after a vigorous rejection of her views by Mr Major and British business leaders, Lady Thatcher issued a statement saying that she "fully supports the new democratic government of South Africa and feels that the country will attract the inward investment it so much needs".

In a clear attempt to repair the diplomatic damage in South Africa, the statement said that Lady Thatcher "further hopes that the prime minister's present mission to that country will be highly successful".

Her views contrasted with the tone of Mr Major's visit, during which he has expressed confidence in the South African government's ability to achieve economic prosperity. British officials are aware that Lady Thatcher is a controversial figure among black leaders, many of whom were angered by her reluctance to endorse sanctions against the former all-white government.

Without responding directly, Mr Major went as far as he could to rebuke Lady Thatcher without naming her, suggesting that she was out of touch with events in South Africa.

In a speech to businessmen in Johannesburg he said South African optimism about the future was "well founded" and a "vast array" of investors was willing to invest.

Mr Major was backed by Mr Howard Davies, head of the Confederation of British Industry, who yesterday met several dozen top South Africa business people to debate economic prospects and business opportunities.


Major impresses, Page 4
Editorial Comment, Page 13


# Aristide forms Haiti transition government team

By James Harding in Port-au-Prince and George Graham in Washington

Haiti's exiled president Jean-Bertrand Aristide appealed for calm in his country yesterday and announced the formation of a transition team to pave the way for his return before October 15.

Mr Aristide urged the people of Haiti to "be vigilant and guard against provocation", and called on Haitian elected officials to resume their offices in preparation for his return to power.

"In less than 24 days I will join you in Haiti. Then we will continue working as peacemakers, peacekeepers and peace lovers," Mr Aristide told reporters on the steps of the Pentagon after being briefed by top US military officials on the progress of the US occupation of Haiti.

In a striking reversal from the frosty tone of his statement on Tuesday, Mr Aristide also thanked the US for its actions.

But Mr Aristide warned that the success of the US mission was "directly tied to the process of disarmament" of the Haitian military and paramilitary forces.

The US military command reaffirmed its commitment to co-operating with the Haitian military and leaving law enforcement to local police, in spite of incidents of political violence.

As Washington insisted that US personnel should not intervene in domestic policing, the implication was that the US forces serving in Operation Restore Democracy could not guarantee Haitians free political expression.

General Hugh Shelton, the US commander of the joint task force in Haiti, said the Haitian


Editorial Comment Page 13


police intervention on Tuesday, which left one man dead and many injured, constituted a "human rights issue". However, he concluded that "the co-operation, the teamwork [between US and Haitian soldiers] has just been splendid".

At a meeting yesterday morning between the US and Haiti's commanders, Gen Shelton promised to call on Gen Raoul Cédras, leader of the Haitian junta, to "pull the chains back" on his militia. However, he went on to say that the police were made up of "various factions . . . some of these General Cédras does not have control of".

The statement will fuel concerns among those who feel the partnership – with men whom US president Bill Clinton last week criticised for despicable brutality – is untenable.

Even some members of the US 10th Mountain Division in Port-au-Prince confessed to feeling "helpless" and "frustrated" at not being allowed to intervene.

Some said their rules of engagement remained loosely defined, which allowed one group of servicemen to arrest three Haitian soldiers found near a small US ammunitions stockpile.

There were reports of another scuffle near the airport yesterday.

With nearly 10,000 US troops expected to have reached Haiti by last night, Mr Clinton's top aides in Washington echoed the claim of Gen Shelton that the beatings of supporters of Mr Aristide were "isolated instances". Mr Leon Panetta, White House chief of staff, said: "There's no question these are tragic and disturbing scenes that affect us all."

## Danish voters back government

**Liberal party leader Uffe Elleman-Jensen (above) jokes with an election official before casting his vote yesterday in the Danish general election. Exit polls on Danish television indicated his party would achieve the greatest gains, taking its representation up from 29 seats to about 40, to become the second biggest party after the Social Democrats.**

**Despite the strong performance by the rightwing Liberals the Social Democratic-led government of Poul Nyrup Rasmussen was set to remain in office even though it looked likely from the exit polls it would need the backing of the leftwing Socialist People's party to remain in power. Report, Page 14** AP

# NEC plans $800m microchip plant in Scotland

By Alan Cane in London, William Dawkins in Tokyo and James Buxton in Edinburgh

NEC, the Japanese electronics giant, yesterday announced that it intended to spend Y80bn ($806m) to build a semiconductor manufacturing plant in Livingston near Edinburgh in Scotland.

The factory, an addition to NEC's existing Livingston facilities, is expected to create 430 jobs on top of the existing 940. Scotland won the decision in competition with NEC's largest semiconductor plant in Roseville, California.

Mr Ian Lang, Scottish secretary, said the plant was the largest single inward investment project attracted to Scotland and one of the largest secured by the UK. He said that development grants to NEC for the project were small compared with the overall investment.

However, less than half the funds are likely to be spent in the UK. NEC says Y20bn will be spent on construction while Y60bn will go on manufacturing equipment. The Japanese company will be working at the limits of semiconductor technology and the equipment to make this


Continued on Page 14
Japan spends, Page 7


# Swedish Social Democrats to form minority government

By Christopher Brown-Humes in Stockholm

Mr Ingvar Carlsson, Sweden's prime minister-elect, said yesterday he would form a minority government after the victory of his Social Democratic party in Sunday's elections.

His announcement, after talks with other party leaders, disappointed business leaders who had hoped he might try to form a majority coalition with the centrist Liberal party.

The news was not unexpected and markets responded calmly. Bond yields edged up and both the krona and share prices weakened slightly, but Standard & Poor's, the US rating agency, reaffirmed its rating on Sweden's long-term senior foreign-currency debt at AA plus.

Mr Carlsson said a minority government would be able to deal more effectively with the country's large budget deficit and better assure the country's accession to the European Union than a coalition. He was confident of being able to work across party boundaries and gain support for spending cuts and increased revenue worth SKr61bn ($8.2bn) to the budget.

"The government which has the best chance to create broad agreement in the Riksdag [parliament] is a Social Democratic government," he said.

The Social Democrats hold 162 seats in the Riksdag, 13 short of a majority. They are likely to rely on the former communist Left party or the Green party on some issues and the Liberals or the Centre party, both members of the outgoing centre-right government, on others. Any one party could provide the necessary support for a majority.

Mr Bengt Westerberg, the Liberal party leader, resigned immediately after Mr Carlsson's statement, criticising the Social Democratic leader for not trying to build a coalition. He indicated during the election that he would step down if his party lost support – which it did – but it was clear that he would have been prepared to stay on to discuss a possible coalition.

Financial markets wanted a Social Democratic coalition with the Liberals because they believed it would lead to tougher action to curb Sweden's fast-growing debt and its budget deficit, which last year amounted to 13 per cent of gross domestic product.

But the process was always going to be complicated by the Liberals' weak electoral showing as well as by internal resistance within both parties to an alliance.

The yield on five-year Swedish bonds rose 6 basis points to 10.86 after Mr Carlsson's statement. The stock exchange general index fell for the third successive day, closing 0.92 per cent, or 12.97 points, lower at 1,403.16.



**STOCK MARKET INDICES**

| | | |
|---|---|---|
| FT-SE 100: | 3814.8 | (-22.5) |
| Yield | 4.18 | |
| FT-SE Eurotrack 100 | 1340.34 | (-1.99) |
| FT-SE-A All-Share | 1516.33 | (-0.6%) |
| Nikkei | 19,885.38 | (+48.11) |
| New York: lunchtime | | |
| Dow Jones Ind Ave | 3842.85 | (-26.24) |
| S&P Composite | 461.20 | (-2.16) |

**US LUNCHTIME RATES**

| | |
|---|---|
| Federal Funds: | 4¾% |
| 3-mo Treas Bills: Yld | 4.833% |
| Long Bond | 96 5/32 |
| Yield | 7.791% |

**LONDON MONEY**

| | | |
|---|---|---|
| 3-mo Interbank | 5 13/16% | (5 13/16%) |
| Liffe long gilt future: | Dec 98⅛ | (Dec 98 13/32) |

**NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent 15-day (Nov) | $16.185 | (16.19) |

**Gold**

| | | |
|---|---|---|
| New York Comex (Dec) | $397.8 | (397.1) |
| London | $394.6 | (393.8) |

**STERLING**

| | | |
|---|---|---|
| New York lunchtime: | | |
| $ | 1.578 | |
| London: | | |
| $ | 1.5781 | (1.5764) |
| DM | 2.438 | (2.4446) |
| FFr | 8.3335 | (8.357) |
| SFr | 2.019 | (2.0264) |
| Y | 154.18 | (154.088) |
| £ Index | 79.7 | (79.8) |

**DOLLAR**

| | | |
|---|---|---|
| New York lunchtime: | | |
| DM | 1.5475 | |
| FFr | 5.2915 | |
| SFr | 1.2835 | |
| Y | 97.95 | |
| London: | | |
| DM | 1.5449 | (1.5508) |
| FFr | 5.2807 | (5.3015) |
| SFr | 1.2794 | (1.2855) |
| Y | 97.7 | (97.75) |
| $ Index | 61.9 | (62.0) |

Tokyo close Y 97.88

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Austria | Sch32 | Greece | Dr350 | Malta | Lm0.60 | Qatar | QR13.00 | | |
| Bahrain | Din1.250 | Hong Kong | HK$18 | Morocco | MDh15 | S.Arabia | SR11 | | |
| Belgium | BFr65 | Hungary | Ft185 | Morocco | MDh16 | Singapore | S$4.30 | | |
| Bulgaria | Lw80.00 | Iceland | IKr215 | Neth | Fl 4.25 | Slovak Rp | KSL50 | | |
| Cyprus | C£1.10 | India | Rs60 | Nigeria | Naira70 | S. Africa | R12.00 | | |
| Czech Rp | CZK50 | Israel | Shk6.90 | Norway | NKr17.00 | Spain | Pta225 | | |
| Denmark | DKr16 | Italy | L3000 | Oman | OR1.50 | Sweden | SKr18 | | |
| Egypt | E£5.00 | Japan | Y500 | Pakistan | Rs40 | Switz | SFr3.30 | | |
| Estonia | EKr 20 | Jordan | JD1.50 | Philippines | Pso50 | Syria | S£50.00 | | |
| Finland | FM14 | Kuwait | Fils825 | Poland | Zl 38,000 | Tunisia | Din1.500 | | |
| France | FFr8.50 | Lebanon | US$1.50 | Portugal (m'land) | | Turkey | L30000 | | |
| Germany | DM3.60 | Lux | LFr65 | | Es225 | UAE | Dh12.00 | | |

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**NEWS: EUROPE**

# Polish PM accused over sell-off delay

By Christopher Bobinski in Warsaw and Anthony Robinson in London

A political row over the future of Poland's long-delayed mass privatisation programme erupted yesterday, revealing mounting frustration at months of inaction by the Polish prime minister, Mr Waldemar Pawlak.

Mr Wieslaw Kaczmarek, the privatisation minister, accused Mr Pawlak of blocking the scheme, which was launched four years ago and has limped through five successive governments.

The delays have angered potential foreign participants in the scheme and alarmed the international financial institutions which view privatisation as a test of Poland's reform intentions. Poland's letter of intent for its last $800m IMF standby agreement promised enactment of the privatisations.

This promise will soon be tested when Poland asks the IMF for $400m to help fund the $1.9bn initial costs of the commercial debt reduction agreement which comes into force at the end of next month. The release of IMF funds will only follow a review of the letter of intent.

Mr Kaczmarek is from the Democratic Left Alliance (SLD), the largest party in a coalition with the Peasants' party (PSL) led by Mr Pawlak. He told a meeting of the privatisation council, an official advisory body, yesterday that it was no longer a question of "mere delays" but that "brakes had been put on the scheme".

Up to 450 state companies are due to be handed over to "National Investment Funds" (NIFs) run by foreign and local management groups, with shares in the funds distributed to Poles at a nominal fee. The previous Solidarity government approved 350 companies over a year ago and short-listed 19 management groups. Most are alliances between Polish banks and western financial institutions, including Kleinwort Benson, Barclays de Zoete Wedd, Charterhouse and a raft of other European, US and Japanese institutions.

Mr Kaczmarek has been waiting since July for Mr Pawlak to approve 100 more companies for the scheme. He also expected his signature on a list of members and chairmen of the supervisory boards to oversee the funds before Mr Pawlak left on Tuesday for a visit to China.

Mr Pawlak departed without signing either.

Meanwhile, Mr Alexander Kwasniewski, the SLD chairman, was in London this week complaining that the delay over signing the privatisations into law was part of a pattern of delay and obstruction from a stubborn coalition partner. Mr Pawlak, for his part, has criticised the sell-off for giving too great a role to foreigners in the management of the funds.

Mr Pawlak's failure to approve the last tranche leaves potential fund managers increasingly restive. Mr David Glasgow of Kleinwort Benson warned that further delay could adversely affect the bank's participation in other Polish projects.

Several foreign bidders have spent up to $1.5m preparing for the scheme and have been waiting for two years in the hope of what could be significant rewards.

UNP, a small London-based investment fund with strong Canadian interests, which has teamed up with Poland's Bank Gdanski and Murray Johnstone from Scotland, recently claimed that the consortium stood to earn $150m in management and success fees over the 10-year life of the funds.

Yevgeny Primakov yesterday: call for CIS defence union AP

# Russia's secrets chief warns west

By John Lloyd in Moscow

The head of Russia's foreign intelligence service yesterday warned the west that it must accept the re-integration of most of the former Soviet Union – or face the danger of a return to cold war postures fed by false fears.

Mr Yevgeny Primakov, in a rare public appearance, said: "Integration [of the Commonwealth of Independent States] is an undoubted fact. If a negative attitude towards this becomes accepted in western capitals, then it could very adversely affect relations between them and Moscow."

Mr Primakov also took the unprecedented step of releasing a report – "Russia-CIS: Does the West Need to Change its Position?" – which says an economic union of the CIS states is inevitable and a defence and political union desirable, and that such unions would safeguard the independent and democratic development of these states.

The report appears only a few days before President Boris Yeltsin leaves for the UK and the US for meetings with Prime Minister John Major and President Bill Clinton. Mr Primakov denied any link between the two events, saying that the report had not yet been shown to the president and that he doubted it would form part of his talks with the other two leaders.

The report says that leading politicians and analysts in the west see the continued disintegration of the former Soviet Union as being in their interests – while believing that a re-integration is against these interests.

It calls for a recognition that a re-integrated union, shorn of communist ideology and guaranteeing independence to each state, "will lead to stabilisation and democratisation, promote reform and encourage some CIS countries to opt for a federal structure, all of which will diminish the threat of ethnic and inter-state conflicts within the CIS".

The alternative was a rapid worsening of the economic position in CIS countries, with a "lurch towards nationalism accompanied by growing authoritarian and anti-democratic tendencies".

The report says that Russia has been grievously misunderstood in western "circles" – though only two westerners are named Mr Zbigniew Brzezinski, the former national security adviser to President Jimmy Carter and a consistent opponent of what he sees as Russian expansionism; and the US secretary of state, Mr Warren Christopher, who is quoted as opposing Russian troops operating abroad.

# Brussels setback for media owners

By Emma Tucker in Brussels

The European Commission yesterday backed away from proposals to harmonise rules on media ownership, frightened that action to make it easier for media companies to invest across borders could prompt an outcry from member states.

The decision represents a setback for Commission plans to prepare the single market for the so-called "information society" and the revolution that will come from new communications technologies. Commission officials argue that the current patchwork of national rules hampers investment, while member states see Brussels venturing into areas best left to national governments. Harmonisation of rules on media ownership was one of four areas identified in the report by Mr Martin Bangemann, EU industry commissioner, on global communications, where Union action was essential to establish a common regulatory framework for the community.

The other fields were privacy, protection of intellectual property rights and encryption.

Mr Raniero Vanni D'Archirafi, the commissioner responsible for the single market, said yesterday the Commission was preparing a further round of consultation with industry before deciding next year whether media ownership legislation at European level was necessary.

Media companies complain that existing rules are unfair. For instance there is no limit on the number of satellite television stations that can be owned by one company in the UK, while in Italy no one company can own more than three satellite or terrestrial stations. In France and Spain the limit is one.

In the Netherlands, newspaper publishers with a market share of more than 25 per cent are not allowed to own TV channels.

Single market officials yesterday insisted that initial suggestions put forward on media ownership had been misunderstood. They argued that the Commission did not intend to produce rules that interfered with national policy on media ownership, but ones that would facilitate transnational investments.

"We have defined a middle course which will safeguard a number of interests. The Commission is not seeking to be invasive in this field," said Mr Vanni D'Archirafi.

He also stressed that the Commission only wanted to proceed cautiously.

"The Commission is dealing with a very delicate matter. We are not talking about taking a fairly firm stance on anything," he said.

The new round of consultations will focus on the content of a possible directive on media ownership.

Tentative proposals centre on two criteria: first, assessing the current audience size of an organisation; and second, the other media interests controlled by its owner, the so called "controller" test.

# Nato diplomats impatient at UN caution in Bosnia

By Bruce Clark, Defence Correspondent

Nato ambassadors yesterday decided to extend air cover by alliance aircraft beyond Bosnia to a small part of Croatia near the Bihac enclave. This means that in principle alliance aircraft could carry out bombing raids against Serb positions in Croatia if the Serbs were attacking UN forces around the Bihac enclave in Bosnia.

The alliance ambassadors agreed that air cover could be extended to the whole of Croatia, but that would require a more complex operation involving the UN authorities in Zagreb.

Yesterday's decision falls short of the imposition of a draconian "exclusion zone" – where all heavy weapons are subject to air strikes. Any move in that direction would require a fresh UN resolution.

However, diplomats said that even limited Nato air raids on Serb positions in Croatia could mark an important twist in the conflict.

Yesterday's meeting in Brussels was the latest in a series of moves towards a tougher Bosnian policy that has been taken at alliance headquarters, where frustration over the cautious tactics of UN commanders on the ground is growing.

The meeting took place amid pressure from US officials for a toughening of the application of existing policies in Bosnia, including the commitment to maintain six enclaves or "safe havens" for the government side.

They say this is the minimum needed to parry pressure in the US Congress for a unilateral break by Washington with the international peace effort and stronger efforts to assist the Moslem cause.

Bihac has been at the centre of a bitter upsurge in fighting over the past weeks, with Bosnia's Moslem-led government making spectacular gains against the Serbs and driving the local warlord, Fikret Abdic, out of his stronghold.

Fighting has spilled over into Croatia.

Further reverses for the Serbs in the Bihac area would deepen the isolation of the Bosnian Serbs, who are facing a cut-off in support from their kinsmen in Belgrade.

Earlier this week, Gen Sir Michael Rose, the UN commander in Bosnia, raised eyebrows at alliance headquarters by threatening to call down Nato air strikes against Bosnian government forces in Sarajevo, whom he accused of provocation.

Nato officials have said that air raids against the government forces could provoke a bitter political reaction, especially in the US.

# French austerity budget freezes spending and increases taxes

By David Buchan and John Ridding in Paris

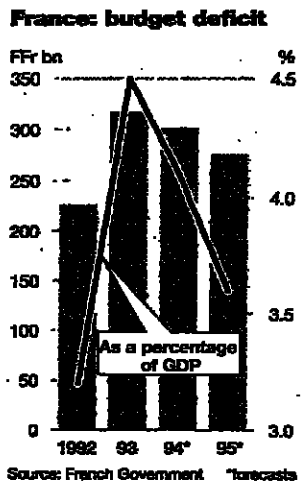
The French government yesterday unveiled an austerity budget for 1995 which effectively freezes public spending and depends heavily on receipts from higher economic growth and privatisation to slash another FFr25bn ($4.7bn) off the budget deficit.

The conservative prime minister, Mr Edouard Balladur, and his budget minister, Mr Nicolas Sarkozy, described their own handiwork as "courageous" in view of the looming presidential election. However, the opposition Socialist party criticised as "unjust" the tax breaks for middle-class employers of domestic servants, while the Patronat employers' federation said the government's intention to prune a tax rebate to companies could render economic recovery "fragile".

The government plans to reduce the budget deficit from FFr301.4bn this year, or 4.1 pe cent of gross domestic product, to FFr 274.8bn next year or, 3.5 per cent of GDP. It is banking on a 4.7 per cent rise in tax revenue, bolstered by raising indirect taxes on petrol and gas and electricity, as while making companies foot more of their local tax bills, central government spending will rise to no more than the 1.9 per cent anticipated inflation rate next year.

Sarkozy: "courageous" budget

Shaking off months of caution about over-stating the economic recovery, Mr Edmond Alphandéry, the economics minister, forecast real growth next year of 3.1 per cent, midway in a forecasting range of 2.7-3.5 per cent and commented that the final result might be "closer to 3.5 per cent". He based his confidence largely on resurgent household consumption and capital investment, which he forecast would raise internal demand in France to 3.2 per cent, the highest in Europe.




The government's twin sales-pitch is that the 1995 budget will significantly rein in the deficit and debt servicing – stabilising for the first time the share of tax revenue devoted to interest payments – while significantly shortening France's record dole queue of 3.3m. Mr Alphandéry also forecast that next year would see the creation of 260,000-300,000 jobs.

Underlining the employment priority, Mr Sarkozy said of the FFr55bn in privatisation receipts planned for next year, FFr8bn would go to help other state companies, FFr27bn would be used to reduce the budget deficit, while FFr20bn would help finance job creation measures. Foremost among these would be a further FFr17.5bn reduction of welfare charges for lower-paid workers.

Mr Alphandéry said that despite the fact many prize assets of the French public sector have already been sold off, he was confident that the government would meet next year's asset sales target just as it had already fulfilled its plan to sell some FFr95bn in state assets in 1993-94.

Reflecting the sensitivity inevitably surrounding the last budget before next May's presidential elections, the budget had been heavily leaked beforehand. Mr Sarkozy, therefore, spent much of yesterday's press conference returning the fire of those lobbies who had attacked his trailers. He roundly dismissed complaints of employers, motorists' associations, and the Socialist party.

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# US and EU remain split on OECD chief

By Peter Norman, Economics Editor

The process of filling the job of secretary-general of the Organisation for Economic Co-operation and Development began as a routine, humdrum affair.

But a transatlantic tussle for the top job at the Paris-based OECD is rapidly becoming the cause of new economic policy tensions between European Union countries and the US.

The race between Mr Jean-Claude Paye, a French civil servant who has held the post for 10 years, and Mr Donald Johnston, the former Canadian minister who is his main challenger, has resulted in deadlock.

Although the OECD exists as a forum for international understanding, ambassadors of the 25 member states failed on Tuesday for the second time in six days to reach consensus on a candidate.

The ambassadors have postponed further consideration until September 28, when they meet informally.

The OECD council, the organisation's decision-making body, is due to consider the succession on September 29, the day before Mr Paye's contract expires.

According to diplomats following the tussle, Mr Paye, who is supported by most EU countries, now has a small overall majority in the 25 member organisation. Mr Johnston, who three months ago was the front-runner, is thought to have fewer than 10 countries supporting him.

Under the OECD system of decisions by consensus, Mr Paye's present backing could normally be expected to cause a shift of support in his favour by the deadline. But the US, its officials confirmed yesterday, has no intention of budging in its determination to veto a third five-year term for Mr Paye.

Some European diplomats are furious. The US stance, they say, threatens to undermine the whole system of decision-making by consensus in the OECD. They claim that the US has not provided any clear reason for opposing the man who is now supported by a majority of OECD members and stress that there is nothing in the rules of the organisation to prevent Mr Paye seeking a third term.

Supporters of the US, however, say that the Clinton administration made clear over a year ago that Mr Paye would not be acceptable to Washington and that the Europeans should have produced a more suitable candidate. Officials backing Mr Johnston say that the countries opposing the Canadian contribute only 40 per cent to the OECD's budget. They also say that France has put very heavy pressure on smaller European countries and the EU states to support Mr Paye.

The US wants Mr Johnston to give the OECD a higher profile and direct the organisation to serve the Group of Seven leading industrial countries which do not have a secretariat of their own.

The deadlock means that the issue will now be taken up in national capitals. It is possible that member governments will now start looking at other compromise candidates for the post. For this reason, Britain is keeping the name of Lord Lawson in play as a candidate even though the UK ambassador abstained at Tuesday's meeting.

A week ago, Lord Lawson was supported by one solitary British vote.

If the OECD council is deadlocked at the end of this month, one of the OECD's three deputy secretary-generals may be asked to administer the organisation on a temporary basis.

Ambassadors discussed this possibility on Tuesday. It is thought that the choice would be between Mr Robert Cornell, a US citizen, or Mr Pierre Vindé, a Swede. Mr Matoko Taniguchi, a Japanese, is thought not to be in the running as acting secretary-general.

EUROPEAN NEWS DIGEST

## Poll lifeline for German FDP

The Free Democratic party (FDP), the junior liberal partner in Germany's coalition government, may not be wiped out in next month's parliamentary election as a series of opinion polls have forecast. The Allensbach Institute forecasts that the FDP will not manage to cross the 5 per cent threshold of first preferences but will enter the parliament by scoring between 7 and 9 per cent of the second votes which voters give to the candidates of their personal, rather than party, preference. The same poll suggests that ratings for Chancellor Helmut Kohl's Christian Democratic Union (CDU) may have peaked at 41.4 per cent, having picked up steadily from 33 per cent earlier this year. Last week the party was on 42.3 per cent. If, for the first time since it was founded in 1948, the FDP fails to get into the Bundestag, the CDU seems most likely to enter a grand coalition with the opposition Social Democratic party (SPD), which is now on 34.3 per cent, up from 33 per cent a week ago. The poll suggests that the CDU-FDP coalition will together pick up 49.9 per cent of the vote while the SPD-Green opposition is forecast to score 43.8 per cent. *Michael Lindemann, Bonn*

## UK may veto paternity leave

The UK is threatening to veto an European Union directive giving fathers time off for the birth of their children, Mr Michael Portillo, the new UK employment secretary, said yesterday. He may also seek a UK opt-out from the parental leave directive at today's meeting of the EU social affairs council in Brussels. Mr Portillo said: "I had hoped to go to my first council meeting with a more co-operative attitude but unfortunately the revival of the parental leave directive makes that impossible." The EU directive on works councils for consulting workers could be passed at today's meeting. The directive – which affects large companies operating in more than one EU country – would be the first for which the UK can opt out. *David Goodhart, London*

## Hungary acts to cut deficit

Hungary's new Socialist-dominated coalition government yesterday presented an austerity mini-budget whose cuts in spending and tax increases will disappoint an electorate which voted in the hope of easing the pain of economic transformation. Mr Laszlo Bekesi, finance minister, warned that despite an upturn in industrial production and in exports, the country's trade and budget deficits were worsening and its net national debt was increasing rapidly. The mini-budget, the government's first important piece of legislation since taking office in July, aims to keep this year's budget deficit to Ft331.9bn – 6.6 per cent of gross domestic product – by increasing revenues by Ft5.5bn and cutting expenditure by Ft4.5bn. The finance ministry said that without the corrective measures the deficit could soar to more than Ft365bn. Further cuts in public expenditure and reform of the bloated welfare system are essential if Hungary is to secure the three-year International Monetary Fund loan package which Mr Bekesi hopes to discuss with a fund mission to Budapest next month. *Virginia Marsh, Budapest*

## Budapest corruption inquiry

Hungary's new Socialist-led government has launched an inquiry into corruption in the privatisation of state companies under the previous conservative administration. State auditors said recently only Ft78bn ($722m) of the Ft120bn in privatisation revenue projected for 1993 had been collected. The government has set up a committee, which met for the first time yesterday, to examine in particular the 250 companies whose privatisation was rushed through between April and June, just before the change of government. The Interior Ministry, which is overseeing the inquiry, said 70-80 companies were already under investigation following complaints from the public and deputies but that the number was likely to rise. Privatisation officials said typical cases of corruption involved misuse of public funds, tax fraud, undervaluation of companies and sales to preferred purchasers. *Virginia Marsh, Budapest*

## Old idea sells Spain's new cars

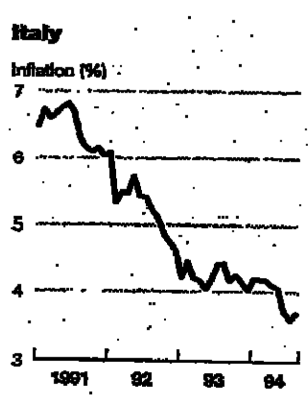
The Spanish motor industry claimed yesterday that new car sales had been increased by 85,000 in the five months from April to August this year thanks to government financial incentives for the scrapping of old cars. Anfac, the Spanish motor industry federation, called for the scheme, which runs for six months to mid-October, to be extended to run for at least 12 months. According to figures produced by Anfac, the scheme helped new car sales to jump by 23.1 per cent year-on-year to 419,736 during the five-month period. The Spanish government began offering cash incentives in mid-April to persuade owners of old cars to trade in their vehicles for new ones, in an attempt to revive flagging car sales. The launch of the scheme followed similar moves in France and Denmark. Under the terms of the Spanish scheme, the government is offering Pta100,000 ($775) each time a car which is more than 10 years old is scrapped in exchange for a new car. *Kevin Done, London*

## Ireland's only steel mill to close

A liquidator is to be appointed to loss-making state-owned Irish Steel after directors recommended the closure of its Cork-based steel plant – Ireland's only steel mill – causing the loss of 520 jobs. Mr Ruairi Quinn, minister for enterprise and employment, accepted the board's advice to call in the liquidator after meeting Mr Pat Dineen, Irish Steel chairman, and Mr Leslie Buckley, acting chief executive, last night. The closure follows the failure of the company to win agreement from its craft unions on a survival plan which has been backed by the board, the government, the Irish Congress of Trade Unions and other Irish Steel workers. The survival plan was aimed at increasing flexibility among the workforce but Irish Steel said yesterday that "despite public statements it is now clear that there is no basis for any agreement forthcoming" from the craft unions. *Andrew Baxter, London*

ECONOMIC WATCH

## Modest rise in Italian inflation




Italian prices rose 0.3 per cent in August, giving an annualised inflation rate of 3.9 per cent, according to preliminary figures from the Italian National Statistics Institute. The previous government projected an annualised rate of 3.5 per cent at the end of the year, and Confindustria, the industrialists' confederation, had forecast a rise of 4 per cent on the basis that manufacturers usually wait until October to be sure of demand patterns before passing on price rises to consumers. However, this year industrialists were sufficiently confident of the recovery – both export-led and now domestic – that this process had begun in late August. *Robert Graham, Rome*

■ Denmark's current account surplus fell during the second quarter to DKr2.6bn (£260m) from DKr8.8bn during the same period in 1993.

■ The European Union's annual rate of inflation rose slightly in August but still remained well below the level of a year ago. The rate of inflation last month rose to 3.1 per cent from 3 per cent in July, compared with 3.5 per cent in August 1993.

■ Swedish retail sales declined 4.7 per cent in July compared with July 1993, mainly because of a 13.7 per cent decline in sales of durable goods after unusually warm weather during the month.

# Jail threat to Indian 'shoddy goods' exporters

By Stefan Wagstyl in New Delhi

Indian exporters were yesterday warned that they face jail if they deliberately shipped shoddy goods or otherwise "created the impression that Indian exporters are not trustworthy".

Mr Tejinder Khanna, the commerce secretary, said the government planned changes in the law covering foreign trade to penalise exporters who wilfully damaged India's commercial reputation. Such businessmen would face losing their import and export licences or going to jail "because they tarnished the Indian flag".

Speaking at a conference of economic journalists, Mr Khanna urged industry to treat foreign trade seriously. He was commenting on recent trade statistics, which showed that export growth in the first four months of the 1994-95 financial year, starting in April, slowed markedly to 8.3 per cent, from 20 per cent for the 1993-94 year.

An important reason for the slow-down has been a revival in domestic demand which has persuaded some companies to divert goods from exports to local markets.

The Commerce Ministry has received reports of companies cancelling or unilaterally amending export contracts in order to supply goods to domestic buyers.

Mr Khanna said long-term export growth required a commitment to export, not a tendency to turn to the domestic market for short-term benefits. A change in approach was needed, he said. "I believe the whole country depends on this change."

Mr Khanna said he was beginning to see change among younger businessmen who were establishing new ventures and planning to export 35-40 per cent of output.

But the transformation had to go much further, he said.

Gone were the days of "suitcase exporting", when a businessman would take a few saris and some handicrafts overseas, sell them from his hotel bedroom and then buy a few foreign goods for importing into India, said Mr Khanna. India had to develop the image of a high-technology modern exporting nation.

Mr Khanna also warned executives travelling on trade delegations against mixing business and tourism. He indicated that it was unacceptable for delegations to pull out of meetings or receptions at the last minute, as, he said, had recently happened with an Indian delegation in Kenya.

Reviewing the recent performance of exports, Mr Khanna said that in textiles, the biggest contributor to India's exports, sales had suffered from competition from China and from quota restrictions. Compared with an original target of 25 per cent export growth in 1994-95, officials now expected only about 10 per cent.

In engineering goods, including car parts, which saw exports grow 36 per cent last year, the rate of growth is expected to fall to 14 per cent, because of the diversion of goods to the domestic market. Exports of diamonds are also expected to slow because of weakness in the world diamond market.

However, in agriculture, where the government has recently lifted important export controls, Mr Khanna expected rapid growth of about 20 per cent. "This sector holds the key and may bail us out," he said.

# Start is made on the long road to rebuild Beirut

## The first contracts will soon be awarded to transform the shattered city, writes **Mark Nicholson**

Mr Elias Hrawi, Lebanon's president, yesterday cemented in place a symbolic foundation stone to mark the formal start to the reconstruction of Beirut, a 25-year, multi-billion-dollar project which bills itself as "the major urban redevelopment project of the 1990s".

Mr Hrawi laid the stone near the foot of the bullet-ridden statue of the Lebanese martyrs in Place des Martyrs, where Lebanon's civil war began almost two decades ago.

But as the recent transformation of that square amply demonstrates – more than 150 adjacent buildings have been razed in the last two months – the work of rebuilding Beirut's core has, in fact, begun. According to Mr Nasser Chammaa, chairman and general manager of Solidere, the property company which owns and is to develop central Beirut, the first big contract in the redevelopment will be awarded within weeks.

Mr Chammaa said the initial package was likely to be awarded to a joint venture between the local Moawad Group and Consorzio Co-operative Construzioni, the Italian construction company, which submitted the lowest of 13 bids for the first stage of the infrastructure work on the 1.8m square metres of central Beirut to be developed by Solidere.

This first $63.7m contract will cover construction of ring roads around the central district, tunnels, bridges, internal roads, water and waste systems and all power and telecommunications infrastructure. Mr Chammaa said the eventual cost of the work, to be completed in two and a half years, could rise to $80m.

He said demolition work in the centre was six months ahead of schedule and should be completed by February. A further 150 buildings are to be demolished and renovation work on 266 others will begin next month. He said eight contracts for restoration and some rebuilding worth more than $100m in total had already been let. "You'll see buildings start rising in about six months, and these should be finished in the next 2½ years," he said.

Mr Chammaa expects a total of $55m further to be spent on infrastructure within the Beirut central district, but an additional $350m on reclaiming a total of 608,000 square metres of landfill to extend the present corniche north of the city centre. This work, which will require at least 10 years for some of the organic waste presently making up the landfill already in place to settle, will open up land both for 290,000 square metres of development plots for Solidere and a recreational and marina complex. Bid qualification for the initial contract to provide sea protection is in progress, and the award will be made in the next two months.

The Lebanese government recently agreed to extend the landfill by 150,000 square metres to the present total as a means of reimbursing Solidere in kind for the cost of infrastructure work it is undertaking in the city centre. Solidere's working capital was raised in a $1.8bn share issue to establish the company earlier this year.

Meanwhile CDR, the main contracting agent responsible for redeveloping the rest of Lebanon, said more than 400 contracts were under way for power, housing, telecommunications, transport infrastructure, schools, water and waste systems, and claimed to be on course to bring total investment to more than $4.5bn in the next three years.

According to Mr Boutros Labaki, CDR's vice-president, just under $2bn of this sum has already been pledged by international donors, chiefly Gulf Arab countries and the World Bank. The remainder is to come from public funds and financing packages arranged by contractors.

Three of the biggest projects, a $400m airport redevelopment, more than $600m worth of work restoring and expanding existing telephone links and creating a GSM cell mobile telephone system along with a $180m project to build a new sports city have already been awarded – all to European countries. US groups remain handicapped by a state department ban on Americans visiting Lebanon.


The next big project will be for the construction of two 450MW power stations in north and south Lebanon, which together will provide 40 per cent of the country's expected power needs.

Mr Labaki said seven groups, including GEC Alsthom, ABB Asea Brown Boveri, the Italian group Ansaldo and a partnership of John Brown Engineering of the UK and General Electric Company of the US, have entered bids for a contract likely to top $700m in total.

The awards should be made later this autumn, with the first units expected to come on stream within a year and a half. Later will come the construction of a toll highway between Beirut and Damascus, a $600m build-operate-transfer project for which bids will be invited next month. A further $450m project to revive Lebanon's coastal railway line has been put on hold.

# Congress nearer to ratifying Uruguay Round

By Nancy Dunne in Washington

The US Congress moved closer to passing legislation implementing the Uruguay Round yesterday when the Clinton administration and congressional negotiators agreed on most of the outstanding issues.

The administration has pushed hard for passage of the legislation making US trade laws and regulations compatible with the 120-nation Marrakesh accord signed last March. The EU, Japan and other main trading nations have yet to ratify the agreement but the administration has argued that the US must pass the legislation this year to maintain its leadership on trade.

Under the fast-track procedure agreed by Congress, the legislation now goes to the White House, which will tackle the few issues before sending it back to Congress, presumably next week, for a Yes or No vote by the end of the term.

The legislation has been written jointly by US trade officials and by members of the Senate finance and House ways and means committee. To win passage, the administration has been forced to agree to provisions not envisaged by US trading partners, such as anti-dumping procedures which would make the imposition of high dumping duties more likely.

Business lobbyists believe they have garnered enough votes for passage, but the vote it will be close in the Senate where 60 of 100 senators must approve the bill.

Lobbyists have been alarmed by the "capricious" antics of Senator Daniel Patrick Moynihan, chairman of the Senate finance committee, who last Sunday warned that the deal would not pass if US troops invaded Haiti.


Packwood: waiver of rules

Senator Bob Packwood, a leading Republican on trade matters, said at least 30 of the 100 senators would vote against the round and others might fall on the No side because passage would require a waiver of budget rules. Others might vote against it unless the administration adds a restrictive rule of origin provision to satisfy textile and apparel manufacturers.

Joint venture to operate Soviet-built facility

# Mexican investors to help restart Cuban refinery

By Pascal Fletcher in Havana

A group of Mexican state and private investors has formed a joint venture with Cuba that will spend $200m to restart and operate a Cuban oil refinery built by the former Soviet Union. Since the 1990 collapse of Cuba's trade and aid ties with the former Soviet bloc, the Cuban government had been seeking a foreign partner to help run the refinery at the south-central port of Cienfuegos.

The installation, completed at the end of the last decade, was practically unused and is currently idle.

Announcing the deal in Havana yesterday, Mexico's secretary for foreign relations (foreign minister), Mr Manuel Tello, said the Mexpetrol group would have a 49 per cent stake in the refining joint venture. The group is formed by state institutions Petroleos Mexicanos (Pemex), Banco Nacional de Comercio Exterior (Bancomex), and Mexico's Instituto de Petroleo, and by four private companies, Ingenieros Civiles Asociados, Bufete Industrial, Protexa and Empresa de Transportaciones Maritimas Mexicanas. Cuba's state oil company, Cubapetroleo, will control 51 per cent of the venture.

Mr Tello said the latest investment by Mexican entrepreneurs in Cuba completed the liquidation of Cuba's remaining $340m debt with Mexico.

Cuba, seeking foreign capital to revitalise its recession-hit economy, has already opened up offshore and onshore exploration blocks to oil companies from Canada, France and Britain.

Once operating fully again, the Cienfuegos refinery, which has a capacity of 75,000 barrels a day, will refine crude oil from both Mexico and other countries. The resulting oil products could be sold in Cuba, Mexico or to third-party buyers on a commercial basis, Mr Tello said. Besides earning hard currency, the refining deal is also expected to help Cuba alleviate the chronic shortages of oil and oil products since oil supplies from the former Soviet Union fell precipitously.

Mr Tello said Mexican investments in Cuba to date totalled more than $1bn and included joint ventures in tourism, textiles and cement. Another joint production agreement in glass manufacture will be finalised in two or three weeks, Mr Tello said.

Mexico, a member of the North American Free Trade Agreement (Nafta), is one of Cuba's biggest trading partners in Latin America and has maintained strong diplomatic and trade links with the island despite continuing US sanctions against the Cuban government.

# Pakistan to buy French submarines

The Pakistani government yesterday announced it would purchase three Agosta class 90B submarines from France in a deal worth $950m, writes Farhan Bokhari in Islamabad.

The deal is one of Pakistan's largest defence purchases. The selection of French submarines was made after close evaluation of offers from Britain, France, China and Sweden. The government gave no details on the financing of the deal but said, the credit terms were favourable and repayments long-term. Delivery will be in the next four years and three submarines will be built in Karachi within a technology transfer agreement.

# Japan wants EU to raise car quota

Japan will seek a bigger quota for car and light commercial vehicle exports to the European Union because of higher than expected demand in Europe, writes Kevin Done, Motor Industry Correspondent.

Talks between officials of the European Commission and the Japanese Ministry of International Trade and Industry are to be held in Brussels on September 29 and 30 to review demand forecasts for 1994, according to Miti. In March, Tokyo and Brussels set a guideline allowing Japanese vehicle exports to the EU to rise by 0.4 per cent to 984,000 in the whole of 1994.

The agreement was based on a forecast that overall EU demand for cars and light commercial vehicles would grow by two per cent to 11.97m. In the first eight months of the year new car sales in the EU rose by an estimated 5.9 per cent to 7.911m according to recent figures from Acea, the European Automobile Manufacturers Association.

■ Whirlpool, the US white goods group, is investing DM300m ($191m) in its German operations after year-long talks with employees and trade unions which will lead to improved productivity and competitiveness at its German plants, writes Andrew Baxter.

The investment underlines the US company's commitment to manufacturing in Germany following appreciation of the D-Mark against other European currencies. Production of a range of built-in freezers is to be concentrated at Calw in Germany.

■ Ericsson Telefon of Sweden yesterday said it has signed an agreement to extend the telecommunications network in China's Liaoning Provence with deliveries valued at SKr1.5bn ($203m) over the next two years.

# Hyundai's car sale hopes fuel Europe's fears

## S Korean company's expansion plans raise prospects of trade friction, writes **John Griffiths**

Hyundai hopes to join the world's top 10 vehicle makers by the turn of the century.

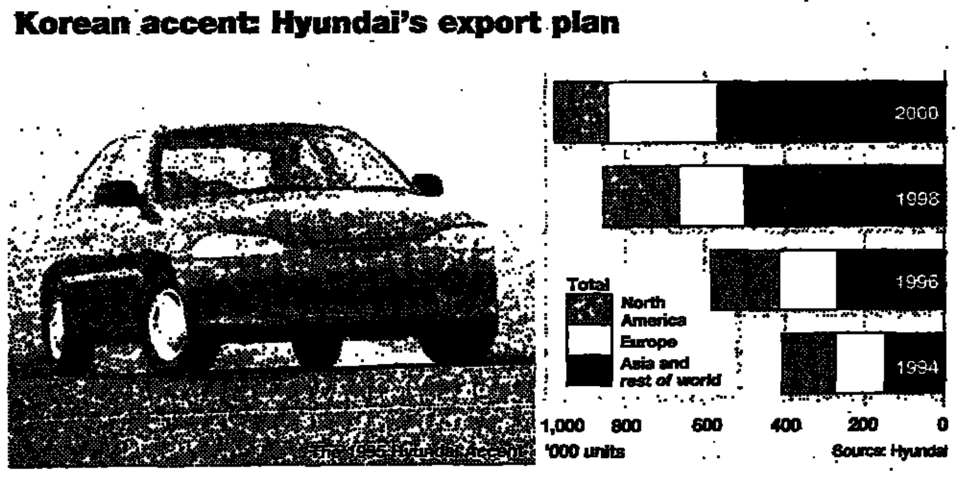
South Korea's biggest vehicle maker is to invest heavily in producing cars for virtually every sector of the market, including minicars, sports coupés and multi-purpose vehicles.

Its plans include greater penetration of the European market, thus raising the prospect of trade conflict. European car makers are already alarmed by the Korean industry's expansionism and angered by restricted access to Korea's markets.

Late last year Hyundai, which has interests ranging from shipbuilding to electronics and a turnover of more than $60bn, announced that it planned to more than double its 1993 vehicle output of 900,000 units to 2m by the year 2000. Well on course to produce 1.16m this year, Hyundai intends to be producing a further 300,000 vehicles outside Korea by the end of the decade.

Hyundai executives say this would give Hyundai 2 per cent of the global market. Added to the expansion plans of Daewoo, Kia and Ssangyong, Korea's other car makers, this would give Korea a capacity of 4m cars a year, which would take the country from sixth to fourth place behind the US, Japan and Germany.

Korean accent: Hyundai's export plan




None of these forecasts take into account the declared intention of Samsung, Hyundai's industrial rival, to invest $5bn in starting up car production and which has already produced its first prototype. Thus they considerably understate the capacity Korea is likely to have by the end of the decade, according to Mr Giorgio Garuzzo, chief executive of Fiat and president of the European Automobile Manufacturers' Association (ACEA).

Mr Garuzzo, in Seoul recently to urge the Korean government and industry to take further steps to open Korea's vehicle markets, maintains that between now and 2000 Korea will spend nearly $10bn on creating capacity of more than 5.3m vehicles a year.

Last year imports accounted for only 0.19 per cent of Korea's car market. Only 307 cars came from Europe.

Although in the past few months Korea has introduced a number of market liberalisation measures, Europe's industry says they are not enough. Veiled warnings are already being issued about Europe being able and willing to work within the parameters of the new World Trade Organisation (WTO) to protect the European vehicle industry from unfair competition.

"Anti-dumping, anti-subsidy and safeguard action will become more reliable tools for legitimate self-defence within an open trading system," Mr Garuzzo warned Korean industry leaders.

Hyundai, helped by the Accent, a new small car soon to go on sale in Europe, plans to nearly double its European sales from less than 100,000 last year to 189,000 by the end of the decade.

Hyundai executives expect the Accent, in which the company has invested $438m and which is Hyundai's first car to be developed without the aid of Mitsubishi of Japan, to achieve 25,900 European sales this year, rising to 62,000 in 1995. On sale in Korea since April, the Accent replaces the similarly-sized Excel model.

Hyundai hopes that a replacement for the Elantra medium saloon and a new coupe to be launched in the next year or so will increase its export appeal. It will follow with a minicar and multi-purpose vehicle.

They will be assisted by an increase in research and development spending scheduled to rise from the current 4 per cent of sales to 7 per cent by the end of the decade.

Hyundai projects exports from 350,000 cars and commercial vehicles last year to 972,000 by the end of the decade. It maintains that most of this growth will be in developing markets elsewhere in Asia.

According to Mr J H Kim, Hyundai's general manager for vehicle exports, sales to regions outside Europe and North America will almost quadruple from 150,000 this year to 562,000 by the end of the decade.

Hyundai's president, Mr Chon Sung Won, and senior colleagues insist that projected sales growth in Europe should not be so high as to be a source of trade friction.

However, aggressive export expansion is also planned by Daewoo, Kia and Ssangyong. Daewoo has also said it wants to be a world "top ten" manufacturer by early next century and its Cielo and Aspera models – based on General Motors' European mainstays, the Astra and Cavalier – will go on sale in Europe early next year.

Kia, already selling in Europe, will also soon be expanding its model ranges. And both it and Daewoo are having research and development work done in Europe to tailor vehicles more closely to European tastes. Also early next year Ssangyong's four-wheel-drive vehicles will make their European debut.

Thus, while Hyundai insists it is more concerned to establish a production presence in China and other fast-growing Asian markets (it already has assembly operations for kits in Thailand), it is already preparing to avoid trade confrontation by following Japan's Nissan, Toyota and Honda in setting up production capacity in Europe. Daewoo has already set out modest plans for assembly in eastern Europe, while Kia's four-wheel-drive vehicles from next year will be produced for European markets by Karmann of Germany.

Hyundai has begun looking into where its European base might be located - but says it will be the end of the decade, at least, before one might be needed.

As a stepping stone, however, it is in the final stages of a feasibility study to set up a European research and development centre.

# South Africa opts for state assets sale

By Mark Suzman in Johannesburg

The South African government yesterday formally reversed its long-standing opposition to privatisation and said proceeds from the sale of state assets, as well as a soon-to-be introduced national lottery, would be used to fund its centrepiece reconstruction and development programme (RDP).

In presenting its White Paper on the RDP to parliament, the government said it "recognises that the location and composition of state assets may not be optimal, and has begun an audit to dispose of those assets not relevant to the RDP".

The document also notes that it will use revenue generated from "lotteries and gambling", expected soon to be legalised, as well as all directly received international and domestic grant aid, to help fund development projects.

According to the document, this revenue will be added to funds raised from budgetary reallocations and the government will not seek to raise money for the RDP through extra borrowing. The government spending portion of the programme is budgeted at R37.5bn over five years.

Although neither move was unexpected, together with other recent policy statements by the government on reducing the government deficit and lowering trade barriers, they confirm the African National Congress-led administration's formal adoption of a broadly free-market approach to economic policy.

**A long-standing tribal rival to Chief Mangosuthu Buthelezi yesterday declared himself Zulu King Goodwill Zwelithini's traditional prime minister, a position formerly claimed by the Chief, Mark Suzman writes.**

**Prince Mcwayezeni Zulu, a member of the royal family and the former regent of the Zulu kingdom, announced he was assuming the duties of the honorary post with immediate effect. The announcement will deepen the rift between the two most important Zulu politicians in the country. On Tuesday King Goodwill broke relations with the Chief.**

When the RDP was originally drawn up by the ANC before the April elections, it emphasised the importance of a highly interventionist state to redress the imbalances of apartheid, and left open the possibility of nationalisation of major enterprises.

In successive drafts, however, the statist policies have been whittled down and, while the wording on some issues remains ambiguous, the central thrust of the government's commitment to private-sector led growth is clear.

Speaking at a press conference, Mr Jay Naidoo, the minister without portfolio who has responsibility for the RDP, said it was important that most of the initiatives for the programme came from outside government.

"We don't have the resources in our country to do everything overnight," he said. "We are not giving handouts, we are reallocating resources."

Testifying to this point, the White Paper emphasises that it regards the reduction of government spending as essential to economic growth, and makes a commitment to start cutting the size of the Public Service from next year while improving its efficiency.

"There has been a struggle between market-oriented government economists and more interventionist ANC ones and, although there have been some sops thrown to the latter, the former appear to have triumphed," noted one policy analyst.

Nevertheless, the document strongly reaffirms the government's commitment to workers' rights and the principle of labour involvement in strategic decisions, calling for "greater worker participation and decision-making in the workplace" and explicitly endorsing the use of collective bargaining to negotiate affirmative action policies.

It also notes that the government intends to introduce strict anti-trust legislation to try to create "a more competitive and dynamic business environment".

"The central objectives of such legislation are to discourage systematically the system of pyramids where it leads to over-concentration of economic power and interlocking directorships, to abolish numerous anti-competitive practices such as market domination and abuse, and to prevent the exploitation of consumers," it says.

# Major impresses all round the wicket

By Kevin Brown

**Mr John Major, the British prime minister, has been batting on a sticky wicket for much of the four years since he succeeded Baroness Thatcher. But on a dusty matting strip in South Africa yesterday the luck of the British prime minister – pictured right – finally turned.**

**UK officials, mindful of his fragile image, watched anxiously as he accepted a challenge from township leaders in Alexandra, outside Johannesburg, to open a cricket net by batting against local bowling.**

**Their worries were misplaced. Mr Major, who had earlier described himself as a "sports nut", turned out to be a spin doctor's dream. Taking guard like a professional, Mr Major put up a creditable show against 14-year-old Elite Matsitso, whose penetrating medium pace drew only one false shot.**

**Surrey and England batsman Alex Stewart, one of several British sports stars brought to Alexandra to coach youngsters, advised Elite: "Give him a googly."**

**Handing over the bat to Mr Steve Tshwete, South Africa's sports minister, Mr Major then strode to the bowling end and with his first ball knocked over middle and leg stumps. "I think I'll stop there," he told onlookers.**


# Thaw sets in with Pakistan

## US visit heralds a happier phase

The arrival in Pakistan of Ms Hazel O'Leary, the US energy secretary, at the head of a business delegation, is being regarded by both countries as adding further warmth to a recent thaw in relations.

For Pakistan, a country that was on the verge of being declared a terrorist state by Washington less than two years ago, the visit presents an opportunity to leave behind the crisis in its relations with the US, triggered by the US aid cut-off in 1990.

Although the aid suspension continues because of US objections to Pakistan's nuclear programme, both sides are trying to broaden their contacts.

Earlier this month, the Clinton administration announced a $10m grant for Pakistan's social welfare programmes. Officials from both sides are also examining prospects for US soyabean oil sales of up to $20m. The president of the US Eximbank is expected to visit Pakistan before the end of the year to consider other investment proposals by US investors.

By Farhan Bokhari in Islamabad

The amounts involved are small compared to the more than $7bn committed by the US to Pakistan in military and economic assistance at the height of the cold war in the 1980s. But Pakistani officials consider that these developments take the two countries into a new era, ending the sense of conflict.

"It's always foolish to say a tough item does not exist," said Mr John Monjo, the US ambassador to Pakistan, who conceded that the nuclear issue has presented difficulties for the two countries.

"The fact that now the two sides are engaged in looking for ways in which we can have a meaningful relationship in the post-cold war period, shows that we are out of the crisis mould," said Ms Maleeha Lodhi, Pakistan's ambassador to the US.

Western diplomats and Pakistani officials, examining recent trends in relations said at least three factors have induced a thaw.

First, Islamabad's secret nuclear programme has not progressed at a pace which could cause any distress, in spite of a recent claim by Mr Nawaz Sharif, the opposition leader, that Pakistan had produced nuclear weapons.

"The fact that Pakistan still has a nuclear programme which is not open to international inspection raises immense fears," said one senior diplomat. "But ... there is very little conclusive evidence that there is a need to ring the alarm bells over a step-up in its pace."

Secondly, fears of Islamic fundamentalism spreading across the country have been put to rest after the Islamic parties received poor support in last October's elections.

Finally, the aid suspension has been partly unsuccessful because Pakistan refused to ratify the non-proliferation treaty or accept any other international safeguards on its nuclear facilities, unless India would accept the same.

Officials from both sides hope that US investments in Pakistan will help to strengthen diplomatic relations. Over the past 46 years, US businesses have invested $450m in Pakistan. Mr Monjo says Pakistan's recent economic reforms as well as this year's liberal energy policy, have together set the stage for attracting foreign investors.

# Action against two BCCI directors is dropped

By Andrew Jack

Two of five Abu Dhabi directors of the collapsed Bank of Credit and Commerce International have had litigation against them in the French courts dropped in exchange for a payment of FFr12m (£1.4m).

Mr Ghanim Faris Al Mazrui, head of the private department of the ruler of Abu Dhabi, and Sheikh Khalifa Nasr Al Mansoori, a director of BCCI's French subsidiary, made the offer earlier this year to the Commercial Court of Paris.

The deal, which has been accepted by the courts but is subject to appeal, still leaves charges outstanding against three other BCCI directors, who face a renewed hearing at the end of this month.

Lawyers had originally made the offer in exchange for the release of all five directors from the action which had been brought by the French liquidators to BCCI, but reversed their position after the other three started legal action against Abu Dhabi.

Mr Alfred Hartmann, Mr Yves Lamarche and Mr Johan Van Oenen sued Abu Dhabi, BCCI's majority shareholder, at the end of June in what they said was an attempt to restore the damage which had been done to their reputations by the bank's collapse.

After BCCI was closed by banking regulators in July 1991, lawyers were appointed to advise the board members of the different companies within the group.

The three directors have been sued by the bank's liquidators in Luxembourg and this action continues alongside the litigation in France.

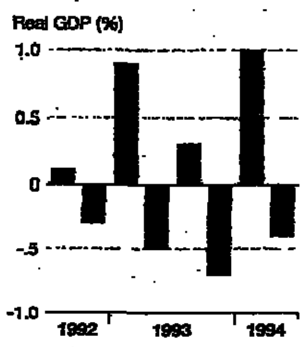
Simmons & Simmons, the law firm which acts for the government of Abu Dhabi, confirmed last week that Abu Dhabi had paid the legal bills until the time of the directors' action against it.

The three non-Abu Dhabi directors switched in advance of their action to a US law firm.

The correspondent firm in the UK, Warner Cranston, launched legal action earlier this month in an attempt to gain access to papers it claims relate to its clients.

# Tokyo GDP down 0.4% in quarter

By Gerard Baker in Tokyo



Source: Economic Planning Agency

The weakness of Japan's economic recovery was underlined yesterday by figures showing a drop in gross domestic product in the second quarter. GDP contracted by 0.4 per cent in the April-to-June period compared with the previous quarter, according to a preliminary estimate by the government's Economic Planning Agency (EPA).

But the figures have become erratic, producing seven consecutive alternate increases and declines. The more reliable six-month trend shows that the economy grew by 0.4 per cent between the second half of 1993 and the first half of 1994.

Even this figure was well below expectation.

Mr Tsutomu Tanaka, the vice minister of the agency, said the quarterly setback "reflected the period's economic conditions, which were broadly sluggish with some bright spots".

The Bank of Japan said the figure would not lead the bank to change its judgment that the economy was still "headed for recovery".

The data showed the economy retreated on all fronts in the second quarter. Private consumption, regarded as central to recovery, fell by 0.7 per cent. In the first six months of the year it was 1.4 per cent higher than in the previous six months, a figure that still suggests only gentle growth.

Capital expenditure fell by 2.5 per cent in the quarter, as companies continued to deal with over-accumulation of capital in the late 1980s.

But the largest contribution to the fall in output came from the external account. Exports rose by 1.4 per cent in the quarter, and imports by 3.8 per cent. Net exports fell by an unprecedented 86.5 per cent on the year, suggesting the sharp rise in the yen may have started to reduce the trade surplus in the second quarter.

Most economists argued that growth was likely to have resumed in the current quarter, as a result of the boost to consumption from the warm summer and an increase in exports.

Mr Dick Beason, chief economist at James Capel Pacific in Tokyo, said: "The figures are discouraging. But improvements in the third and fourth quarters should help to keep GDP growth for the year at around 0.8 per cent."

Mr Richard Werner, chief economist at Jardine Fleming, warned of another year of disappointing growth. "The recovery is still very weak and shows only faint signs of improving in the immediate future," he said.

# Official prices return to China's markets

## Beijing's leadership, panicked by inflation, has brought back price controls, writes **Tony Walker**

Market stallholders across China have begun to display signs showing officially sanctioned prices. So it is that price controls on foodstuffs, including grain, meat, fruit and vegetables, have been re-introduced by a panicky leadership which has made fighting inflation its priority.

While market vendors might grumble about the restrictions there is not much they can do about them since under the new anti-inflation drive food prices are being monitored rigorously, especially in urban areas.

At the Yongan district food market in Beijing's eastern suburbs, bargaining is out for the moment. Complaints about high prices, the normal pantomime of shopping in China, are met with a shrug and nod towards a board on which are displayed food prices per *jin* (about 500gm).

The clamp on food prices is the most visible sign of the new anti-inflation campaign, though China's leaders must realise that these measures risk creating shortages which would run counter to one of their chief aims – to ensure abundant supplies in the market.

For the moment, however, it is clear that Beijing is launching a fairly determined campaign against price rises in the hope that it can break the inflation cycle, and perhaps, more important, dampen inflationary expectations.

The leadership has not admitted it outright, but a 16-point economic stabilisation programme unveiled in July 1993 to bring the economy under control by so-called "macro-economic" measures, including credit restrictions, is being superseded.

To market, to market: Beijing's fear of inflation has put bargaining out of bounds for the time being

The "fight-inflation-first" campaign announced by prime minister Li Peng last month may well mark the first stage of a new stabilisation programme. This will place much heavier emphasis on government interference than last year's measures which relied more on indirect restraint through curbs on monetary growth, and restrictions on lending to ailing state enterprises.

Chinese officials will have expected much better results from their efforts of the past year or so to maintain high levels of economic growth while bringing inflation under control. That policy has, at best, fallen well short of expectations and, at worst, failed.

Publication of a rash of bad economic news in the past month or so has forced policymakers into an extensive review of options, none of which is proving politically palatable. The bad inflation figures for July and August, indications that monetary growth is defying efforts to restrain it, and evidence of a new consumer spending binge will have provided a fairly brutal reminder of the continuing difficulties of managing China's economic transformation.

"I think it's probably a shock to them that things have gone back to where they are now," said a western economist. He predicted that the next 12 months would prove especially difficult, given the high underlying rate of inflation, continuing heavy demand for subsidies from faltering state enterprises and restlessness among a peasantry whose meagre incomes are being squeezed by higher costs of such items as fertilisers.

But it is the inflation bogey that has really unnerved the leadership. Indications that rather than slowing the rate of price increases had begun to accelerate raised the alarming spectre of inflation spiralling out of control, fuelled partly by inflationary expectations.

Consumer prices in the China's 35 major cities rose by 27.1 per cent in August compared with the same month last year. This was well up on the July figure of 24.2 per cent which itself represented a sharp increase on the previous month. National inflation statistics were hardly more encouraging. The CPI countrywide was up 35.8 per cent in the 12 months to August.

While money supply figures for the first seven months of this year are not available, anecdotal evidence indicates that the broader M2 measure of monetary growth exceeded the 24 per cent target. Western economists believe the figure could be closer to 34 per cent.

The government's inability to meet its monetary targets has been one of the main causes of continuing inflationary pressures. Demands for sustenance from state enterprises, many of which are virtually bankrupt, are complicating the government's task. Policymakers are walking a tightrope between the need to curb inflation and fears of social unrest caused by the inability of state-owned factories to pay their workers.

Worries about unrest has prompted a "stop-go" approach to monetary policy in the past year or so with the authorities alternately tightening and loosening credit in three-month cycles. An easing of credit restriction since April is seen as one of the main causes of the latest inflationary surge with capital spending by state-owned companies leaping by 73 per cent in July compared with the same month last year.

Officials, who had boasted a year ago that 90 per cent of consumer prices had been deregulated, are sensitive to suggestions that the re-imposition of price controls represents a step-back from economic liberalisation.

Hard-pressed Chinese officials seeking better news can point to falling producer prices – prices of steel and other raw materials are down sharply – and to an improving external sector. Exports have grown by more than 30 per cent this year, foreign exchange reserves have rebounded and in light of this current account forecasts are being revised.

But in the end the government's success in this latest phase will rest on its ability to check inflation while maintaining high levels of economic growth. The authorities are striving to bring growth down to manageable levels from the unsustainable 13 per cent of the past two years, but at the same time avoid a too rapid deceleration. This is a task that would be considered daunting by those managing even the most sophisticated economies.

# Ruling coalition agrees new taxes

By Gerard Baker

Leaders of Japan's three ruling coalition parties were said yesterday to have agreed on the content of a package of tax measures, but not on its form.

Mr Masayoshi Takemura, the Japanese finance minister, and leader of the New Harbinger party, the smallest coalition member, said the Social Democratic party (SDP) had agreed in principle to an increase in the consumption tax to 5 per cent from 3 per cent, to take effect from 1997. The parties also agreed on immediate income tax cuts worth around Y5,500bn (£36bn) a year for the next three years.

The decision to accept an increase in the consumption tax represents a policy retreat by the socialists, who had vehemently opposed any increase in indirect taxation to pay for the income tax cuts.

However, the final sticking-point for the party appears to be the timing of the changes.

The Liberal Democratic party and New Harbinger party want to introduce both measures as part of a single package.

However, many SDP members are anxious to separate the two proposals in the thinly disguised hope that parliament may reject or delay the consumption tax increase.

# NZ jobless may fall to 6.4%

**Unemployment will fall to 6.4 per cent by the end of 1995 from the current rate of 8.4 per cent according to a New Zealand research group, AP-DJ reports from Wellington.**

**The projection by Business & Economic Research is more optimistic than the most recent economic forecasts issued by New Zealand's central bank in September.**

**The Reserve Bank expects unemployment to decline to just 7.6 per cent by March 1996.**

**The research group also expects gross domestic product to grow 3.6 per cent for the 12 months ending March 1996, greater than the 3.1 per cent predicted by the country's central bank.**

**NEWS:** THE AMERICAS

Associated Press

FLYING THE FLAG: a lone Haitian waves the Stars and Stripes in a welcoming gesture to US marines after they landed at the airport at Cap Haitien, Haiti's second city

# Parliament may prove to be stumbling block for Aristide

By James Harding in Port-au-Prince

Police brutality on the streets of Port-au-Prince over the last two days has shown the truth of the Haitian proverb, "Mennen koulev lekol pa anyen. Se fe'l chita ki red" - It's nothing to lead the snake to school, making it sit down is the hard part.

Training the Haitian militia to replace political violence with civilised law enforcement has become a priority for Operation Restore Democracy. But the police have not been the only unruly characters who could spoil a peaceful transition. Haiti's parliament, which has historically evaded votes to restore exiled President Jean-Bertrand Aristide, may yet prove a significant obstacle to the installation of a functioning democracy.

The parliament and President Aristide, at loggerheads for the seven months of the president's term in Haiti and hostile to him in exile, will have to find a new modus vivendi. The first hurdle however, will be the passing of a law granting amnesty to the existing military regime.

Under the deal struck between former US President Jimmy Carter and provisional President Emile Jonassaint last Sunday, "certain military officers" are expected to enter "an early and honourable retirement when a general amnesty is voted into law by the Haitian parliament, or October 15 1994, whichever is earlier."

Although the deadline provides the US with a necessary get-out if the parliament proves contrary, failure to enact an amnesty would cast a pall over the future co-existence of an Aristide government and his former military ousters. Most people agree there is little to be gained from disrupting the progress of the US-Haiti programme to replace the military leaders with Mr Aristide, but the assembly has been unpredictable in the past.

The 1992 Washington Protocol was scuppered by the parliament, which had complained that the agreement brokered by the Organisation of American States to restore Mr Aristide was unconstitutional. Thanks to a disruption by parliamentarians allied to the coup leaders, the assembly never managed to achieve a quorum. The Governor's Island accord last year intended to achieve similar goals met with a similar fate.

According to one political observer in the Haitian capital, if Lt Gen Raoul Cédras can find a purpose in holding up the restoration of Mr Aristide, the pattern of breached agreements made possible by an obstreperous parliament may repeat itself: Gen Cédras may call on parliamentary appointees and allies to block the amnesty vote.

Mr Benard Sansaricq, president of the Senate, however, did not foresee any problems with getting the law through the assembly. Future relations with President Aristide, though, were another matter.

He predicted the legislative process could be over in four days next week. After passing the bill, the Upper House will send it to the Chamber of Deputies, where it will be ratified unless the deputies see any need for modification, in which case it returns to the Senate.

To avoid a time-consuming to and fro, Mr Sansaricq said yesterday he planned to convene a bicameral commission to draw up the bill. He had no doubt the Senate would pass the legislation, but would not speculate on the lower house, which is thought to be divided and susceptible to persuasion from the de facto executive.

The amnesty law, however, is only one step on the difficult road of reconciliation which Mr Aristide has advocated in Washington. Whether or not it is passed, Mr Sansaricq plans to obstruct an Aristide government.

"I do not support the return of Aristide – but it was a fait accompli. I will work in opposition as an elected member of this parliament," he said.

Gridlock, a snake US administrations know all too well, may be one of the things restored along with democracy and President Aristide.

# No early move on sanctions

By George Graham in Washington

The United Nations Security Council is not planning any quick move to end its economic sanctions against Haiti, despite a promise in the agreement negotiated with the military junta last Sunday that the embargo would be "lifted without delay in accordance with relevant UN resolutions".

A senior US official said that "there is not a sentiment in the United Nations at this point for lifting the UN sanctions," particularly as previous Security Council resolutions state clearly that the embargo is not to be lifted until ousted President Jean-Bertrand Aristide is restored to power.

But officials added that they had already begun discussions at the UN on how and when the sanctions might be lifted.

It was possible, they said, that some of the measures such as the oil embargo and the ban on travel to and from Haiti could be lifted before Mr Aristide's return to the country.

Mr Michael McCurry, the State Department spokesman, said that discussions on easing the embargo were "on a somewhat different time line" because the deal negotiated with Lt Gen Raoul Cédras on Sunday does not require him and his colleagues to step down until October 15, unless the Haitian parliament passes a general amnesty before then.

An arms embargo is not expected to be lifted.

Targeted sanctions freezing the US assets of Gen Cédras and a number of other prominent backers of the military regime remain in place, Mr McCurry said. Their status will be evaluated as necessary.

Since the military coup which ousted Mr Aristide in 1991, economic sanctions have been the object of much heart-searching.

Their primary impact has been on the already impoverished Haitian people, while the military junta and its wealthy supporters have until recently been able to shake off its worst effects with weekend shopping trips to Miami.

# Clinton loses Congress ally in primary

By George Graham

President Bill Clinton yesterday lost one of his few reliable allies in Congress in a stunning primary defeat for Congressman Mike Synar of Oklahoma.

Although Mr Synar had won 47 per cent of the vote in a first Democratic primary ballot four weeks ago, he barely improved his score to 49 per cent in losing to a 71-year-old retired school teacher in a run-off election on Tuesday.

Mr Virgil Cooper had spent just $9,053 (£5,840) on his campaign by the end of August, compared with Mr Synar's campaign spending of $227,540 so far this year. His campaign spokesman said the former head teacher "did nothing but drive his pick-up around and put business cards in people's windows".

He will now face Mr Tom Coburn, a Republican doctor from Muskogee, in the November 8 general election.

Mr Synar is the most prominent incumbent to lose a bid for re-election so far this year.

His defeat sounds a warning not only for members who have been close to Mr Clinton but also for relatively left-wing members in the conservative south. Besides backing Mr Clinton on issues such as raising taxes on tobacco and raising grazing fees on government land, Mr Synar has a voting record which is, according to the Almanac of American Politics, "by far the most liberal of any white member from the South, more liberal than most Democrats from the North".

Perhaps his most fatal political stance is his support for gun control, wildly unpopular in Oklahoma. But Mr Synar is not the only prominent incumbent to receive a setback in Tuesday's primary voting.

Mr Thomas Foley, the Speaker of the House of Representatives, won only 36 per cent of the vote in his district in Washington state, a weak showing that could hint at a very tough campaign for November's general election.

Under Washington state's peculiar election rules, all candidates run in the same primary, and the best-placed from each party advances to the general election. Since no other Democrat was running, Mr Foley won his party's nomination, but his score represents a sharp fall in popularity from 1992, when he won 53 per cent in the primary.

Even then, Mr Foley's 55 per cent in the subsequent general election was the lowest vote recorded for a sitting House Speaker in over a century, and Republicans are licking their lips at the chance of claiming such an illustrious scalp.

Congressman Bill McCollum of Florida, one of two members contending to be the Republican whip next year when Congressman Newt Gingrich becomes the party's leader in the House, spent $30,000 on television advertisements in the district in an effort to embarrass the Speaker.

Republican leaders say they are expecting to win 20-30 seats from the Democrats on November 8. They would need to win 40 to take control of the 435-member House, but even a smaller gain would put them in a strong position to control the congressional agenda in alliance with right-wing nominal Democrats from the South.

# Frei reshuffles Chile cabinet after criticism

By David Pilling in Santiago

After only six months in office, President Eduardo Frei of Chile has reshuffled his cabinet, promising a new "urgency" to his government programme and an "accelerated implementation of our priorities".

The move comes in response to criticism that the new administration has succumbed to inertia, and to suggestions that the president has failed to stamp his authority on government policy. The fresh appointments are, however, unlikely to change the general thrust of the administration's programme.

"My government has finished one phase and begun another," said Mr Frei in announcing the changes on Tuesday. "In the first phase, we have established our priorities... We now need to concentrate on the tasks of education, infrastructure and increasing production."

Prime casualty in the reshuffle was Mr Germán Correa, the Socialist interior minister, whose removal weakens the position of the Socialist party within the Christian Democrat-dominated coalition. Mr Correa was replaced by Christian Democrat Mr Carlos Figueroa, previously foreign minister, who is more closely aligned politically with the president.

The sacking of Mr Correa – although partly offset by the appointment of fellow Socialist José Miguel Insulza – is likely to put some strain on party relations within the Concertación coalition. Socialists, the second biggest force within the coalition, admitted they were "very surprised" by a move they considered "unjustified".

Another important casualty was Mr Ernesto Schiefelbein,

Frei: promised new urgency to government programme

minister of education, who was regarded as lacking the political astuteness to engineer much-needed reforms to the educational system. Mr Schiefelbein, an independent academic, had already lost the good will of teachers by failing to consult them over reform.

Mr Sergio Molina, a Christian Democrat, takes over what is likely to become the high-profile education portfolio. President Frei has promised to devote far greater resources to the sector.

# US accepts Russia's move on freer emigration

**In preparation for his summit next week in Washington with Russian President Boris Yeltsin, President Bill Clinton issued a declaration that Russia allows its citizens to emigrate freely, thus moving a step closer towards normalising US trade with the former Soviet state, writes Nancy Dunne in Washington.**

**Under a US law called the Jackson-Vanik amendment, trade relations with communist countries were linked to the governments' emigration policies. With the law still in effect, Mr Clinton has been required to issue a yearly waiver to allow Russian products to get Most Favoured Nation tariff treatment. MFN gives them the same low tariffs as the members of the General Agreement on Tariffs and Trade.**

**Mr Clinton's declaration ends the need for a yearly waiver, but falls short of requesting a new law from Congress. It has been long argued that Jackson-Vanik discouraged private investment in Russia because investors had no certainty they could export into the US.**

**As long as the Jackson-Vanik amendment is still on the books – and the president has not requested its removal – the administration must still report to Congress every six months on the status of Russian emigration policies.**

**Congress can also vote to disapprove the president's action, taken on Tuesday, but there is no sentiment for a reversal.**

**A US trade official said the president was following the same procedure established with the Czech Republic, Slovakia and Hungary, as trade relations were normalised. Ultimately Congress passed legislation altogether removing them from the Jackson-Vanik requirements.**

**Although Mr Clinton has not yet requested similar legislation for Russia, the trade official said the administration hoped it was sending a signal to investors that "things are more stable" in Russia.**

# Restoring US labour's voice

**Robert Taylor** on the chief of Washington's industrial relations board

For a man who is so closely watched, some would say Bill Gould is remarkably misunderstood.

It took Congress more than seven months to ratify his appointment as chairman of the National Labor Relations Board, the five-man federal labour agency that enforces the country's basic labour law.

Even after a deal had been cut with the Republicans, 38 voted against him, the highest level of recorded opposition to any Clinton nominee.

Much of US business believes him to be too pro-union, a black New Deal liberal who once worked for the United Autoworkers union and intends to shift the power balance on the board against the interests of employers.

His prolific writings have been widely scrutinised for pro-labour bias. His new book, Agenda for Reform, that calls for changes to help union organisation and collective bargaining, "was exhibit number one at the hearings", he says.

Those who regard him as at least controversial are unlikely to be disappointed during a four-year term that ends in 1998, two years after the next presidential election.

At an industrial law conference in Oxford this week Mr Gould spoke up for a more activist board that would in a "fair and even-handed" way encourage the spread of collective bargaining. After all, he says, that is what the board's statute has required since it was established as an independent federal agency in 1935 during Franklin Roosevelt's New Deal. The board employs 2,100 staff across 33 regions and has a modest $175m (£113m) annual budget.

The quietly-spoken Mr Gould, who holds a law chair at Stanford University in California, does not come across as a partisan firebrand.

Nor is his record that of a radical. A graduate of the London School of Economics, where he studied labour law, he advised the British Conservative party nearly 25 years ago on their Industrial Relations Act designed to regulate the unions. Lord Geoffrey Howe, former UK Chancellor of the Exchequer, remains a friend from those days and he cannot understand why the Republicans are so worried about him.

But during the Reagan-Bush years, Mr Gould says, the board was "not abolished but trashed". One chairman of that time even admitted in public he did not approve of collective bargaining.

"My opponents had it all their own way for 15 years. They don't like or want impartiality," he says. He wants to try to restore what he sees as the board's lost authority and vigour.

Whether this can stem the remorseless decline of organised labour in the US, which now covers little more than 11 per cent of the private sector workforce, is another matter.

"It is possible we could play a role in enabling the unions to regain lost ground by actively promoting collective bargaining," says Mr Gould. But in his book even he admits changes in the market economy have been "far more important than the law itself" in explaining the drop in union membership.

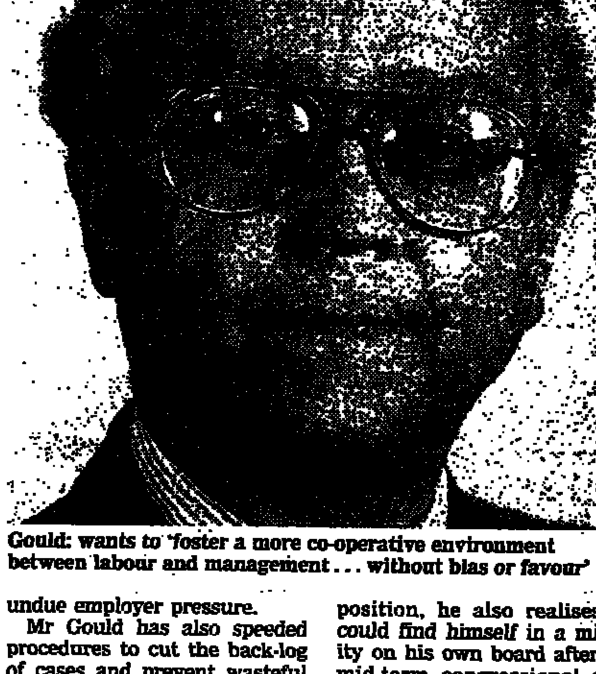
While he regrets the recent refusal by Congress to support President Bill Clinton's bill to prevent employers replacing strikers with new workers, he also argues "the enactment of labour law reform will not necessarily reverse the process of decline".

He hopes that under his chairmanship the board can "foster a more co-operative environment between labour and management". Mr Gould has already established advisory panels from both sides of industry to help him in that process.

Mr Gould stresses that he will administer the law without bias or favour. "We will enforce the statutes against all wrong-doers," he insists. In his first six months in the job he secured 60 injunctions, mainly against employers to stop them carrying on alleged unfair labour practices.

But he has shown he is no poodle of organised labour by initiating contempt proceedings against the United Mine Workers union for violation of a board decision.

Mr Gould has attracted criticism from employers for his executive decision to hold only postal and not workplace secret ballots of workers in union recognition cases. Some companies believe this shift will give an unfair advantage to trade union organisers who will be able to visit the homes of workers to influence them. But the board believes holding such ballots inside the company can open them up to



Gould: wants to 'foster a more co-operative environment between labour and management... without bias or favour'

undue employer pressure.

Mr Gould has also speeded procedures to cut the back-log of cases and prevent wasteful litigation. He points out that he alone cannot restore the fortunes of the American labour movement. "We cannot do it for them," he says.

Well aware of his precarious position, he also realises he could find himself in a minority on his own board after the mid-term congressional elections. At present he holds a three-to-two balance but if there is a Republican triumph – as expected – a new nominee could shift the board once more into conservative hands.

# Non-EU exports rise to record highs

By Gillian Tett in London

British exports to countries outside the European Union rose to record levels last month, with UK manufacturers reaping the benefits of strong growth in the US and Far Eastern economies.

The firm export growth, coupled with a falling level of imports, helped to reduce the UK trade deficit with non-EU countries to its lowest level for more than six years.

Exports to non-EU countries, which represent almost half of all British trade, were a seasonally adjusted £5.47bn ($8.47bn) last month, up from £5.41bn in July, the Central Statistical Office said yesterday.

Imports from these countries were £5.72bn, down from last month's level of £5.8bn, but roughly in line with the levels seen during most of this year.

The resulting deficit of £0.26bn was considerably better than the City had expected, and the government welcomed the data as further evidence that the UK recovery was becoming less driven by consumer demand and more by exports and investment.

Mr Michael Heseltine, trade and industry secretary, said: "These figures are excellent news. The deficit has been halved over the last year."

The most striking part of the data, economists said, was that recovery did not appear to be bringing in large quantities of imports to meet the recent growth in UK industrial and consumer demand.

Although some economists said this might suggest a slowdown in levels of consumer demand, others argued it might indicate that UK companies were finally responding to the effect of the 1992 sterling devaluation by starting to substitute domestic products for imports.

Mr Ian Thompson, economist at the Engineering Employers' Federation, said: "At first sight these figures do suggest that there is some import substitution now occuring in the home markets."

The growth in exports covered most industrial categories. Although strong oil exports boosted the overall trade balance, manufacturing also performed well, with exports of manufacturing components 9 per cent higher in the three months to August, than the previous three months.

Exports of processed chemicals and metals showed particularly strong growth. Electronic and engineering goods also performed well, particularly in the US and "Asian tigers".

Mr Richard Brown, deputy director general of the British Chambers of Commerce, welcomed the figures as evidence that "British exporters are succeeding overseas".

However, City economists pointed out that Germany and other European countries were also seeing strong export growth.

Mr Chris Dillow, UK economist at Nomura, the Japanese securities house, said: "It is difficult to say whether the UK is increasing market share or whether it is just that the world economy is booming – but I suspect it is more that world demand is strong."

# Japan spends to protect semiconductor supremacy

## William Dawkins and Alan Cane on the global pressures driving NEC investment in Scotland

NEC's investment of Y80bn ($795m) in Livingston, while smaller than expected, is the latest stage in a race by Japan's semiconductor industry to increase capacity in line with a global explosion in demand.

Mr Hajime Sasaki, NEC executive vice-president responsible for semiconductors, says there is a 20 per cent worldwide shortfall in memory chips. It is affecting producers of telecommunications equipment, computer systems, and consumer electronic products, all of which have a prodigious appetite for semiconductor memory.

NEC's action follows a decision a day earlier by Toshiba, the second-largest Japanese chip producer after NEC, to invest Y100bn in semiconductor production in Japan.

Japanese chip companies are eager not to slip behind their US competitors' aggressive expansion in capacity – NEC last year lost its position as the world's top semiconductor producer in dollar sales terms to Intel of the US, a symbolic blow which it intends to redress.

The two countries excel in different areas – the US leads in microprocessors, the heart of computer systems which command high added value, and the Japanese in memory production, commodity products for which margins are low.

Japan's six leading electronics companies plan to increase investment in semiconductor-making capacity by 15.3 per cent to a combined Y461bn in the year to next March.

US semiconductor producers believe the world chip market will double from its present $100bn (£64.5bn) by the end of the decade.

The Japanese are more cautious, however, believing the market will grow only 50 per cent by then, with most of the growth in Asia. Taiwan and South Korea are now aggressive players.

Chipmakers across the world agree that the sharp rise in demand for semiconductors – 15 per cent worldwide this year – will continue well after 1997 by which time plants announced this year will have started production.

A rise in demand for personal computers fuels this year's growth, to be taken over in the next few years by memory-hungry multimedia machines, mobile telephones, and the growing use of software such as new generations of Windows, the leading computer operating system from Microsoft of the US.

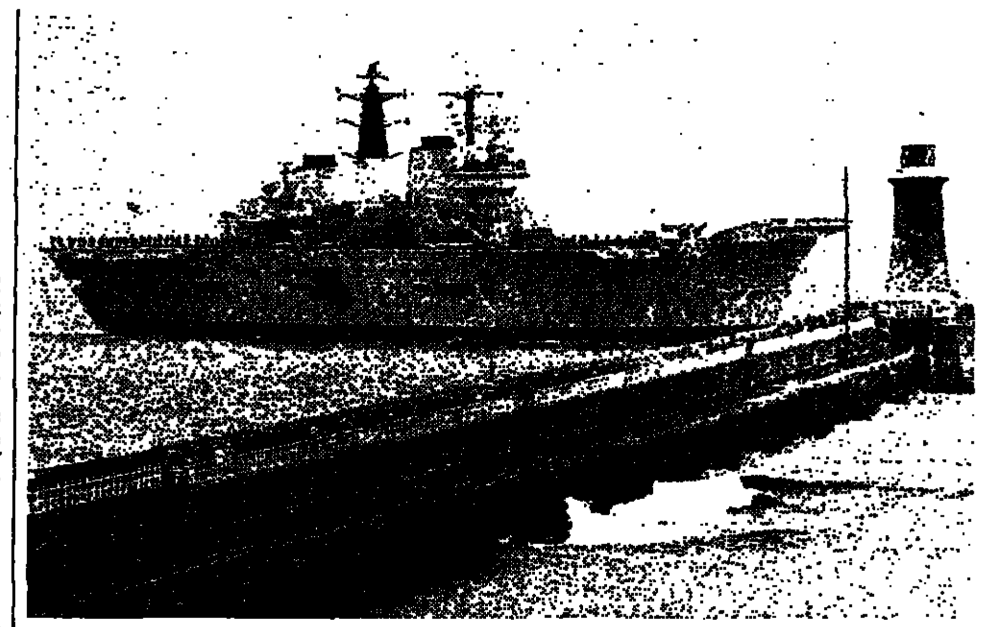
The new plants announced by NEC and Toshiba will both make 64 megabit dynamic random access memories (D-Rams), the next generation chip.

NEC's decision to expand its Livingston plant continues the growing Japanese trend of shifting production to cheaper locations, stimulated by the yen's sharp rise. NEC's overseas production will rise from 15 per cent to 20 per cent of the total, said officials.

NEC's UK semiconductor plant is the most productive of NEC's semiconductor plants, but other factors were involved in making the finely balanced choice between expanding capacity at Livingston or at another NEC plant in California, explained Mr Sasaki.

California, with its plethora of computer and telecommunications companies, had a clear advantage over Scotland in the size of the local market, said Mr Sasaki. The sites were equal on the other main criteria, infrastructure and the availability of skilled engineers. Financial incentives played a very secondary part in the decision.

One factor that may have tipped the balance, he hinted, was the need to manufacture inside the European Union to avoid tariffs on imported chips.



Stuart Bonney

HMS Ark Royal, one of the most famous ships built by the threatened Swan Hunter yard, returned to the River Tyne yesterday before being mothballed to await a refit. It will resume service at the end of the decade. Swan Hunter will be closed unless receivers can find a buyer before November.

# SIB chief seeks to head off split

By Alison Smith

The City of London's chief regulator has begun a series of meetings with top life industry executives in an attempt to head off a damaging public split between the industry and its watchdog over the sale of personal pensions.

The move, by Mr Andrew Large, chairman of the Securities and Investments Board, comes ahead of the planned publication by the regulator late next month of a report on compensating people who have suffered from poor advice over transferring out of occupational pension schemes.

The SIB will face public criticism if its plans do not provide full redress for everyone who may have lost out. But life companies want to focus only on cases where customers have clearly suffered, and do not want to give others a chance to change their earlier decisions.

Mr Large is warning chief executives of some large life insurance companies that a high-profile clash between life insurers and the SIB about compensating victims of mis-selling would further damage the reputation of the industry.

Figures from the Association of British Insurers have shown that sales of some products have already fallen this year and that public concern about pension sales is one of the causes.

## Britain in brief

### Ashdown on consensus tightrope

Mr Paddy Ashdown will today seek to nudge the Liberal Democrats further toward co-operation with Mr Tony Blair's Labour party by suggesting that the parties could co-operate to build a bipartisan consensus on issues like the future of the National Health Service.

In an attempt to narrow Liberal Democrat divisions, he will use his closing speech to the party conference to set the price for any formal deal as a Labour commitment to proportional representation.

His speech will walk a tightrope – holding open the door of co-operation to Mr Blair while reassuring Liberal Democrats that they will not be "rolled over" in any discussions.

But Mr Ashdown's attempts during a difficult and unpredictable Brighton conference to hold open the door to Mr Blair were clouded when the newly elected party president launched a strong attack on the new Labour leader.

Mr Robert Maclennan accused Mr Blair of reducing Labour to "a sort of smiling anaemia". Mr Maclennan told journalists he was determined there should be no "behind-the-scenes bargaining with Labour".

### New accounting standards attacked

The Accounting Standards Board was yesterday accused of "destroying" one of the basic principles of accounting after it issued two new standards covering acquisitions and mergers.

The ASB, which decides how financial information is presented in the UK, said the new rules "call for a more objective, neutral and informative approach" in accounting for business combinations.

The board said the new codes were designed to restrict the use of merger accounting and outlaw abuses in the reporting of acquisitions.

The Hundred Group, which consists of the finance directors of companies in the FTSE-100 share index, described parts of the new standard on acquisitions as "completely illogical".

### MMB raises milk row stakes

The UK's Milk Marketing Board said yesterday it would call on the government to postpone the November deregulation of the milk market if the dairy trade wins leave for a judicial review.

Its threat raised the stakes in the row over milk on the eve of today's High Court hearing of the Dairy Trade Federation's case.

The federation is challenging the government's approval of deregulation on the grounds that the new system for selling milk to dairy companies will push costs up sharply andlead to a flood of imports.

### Jordan leads field for trade union post

Mr Bill Jordan is likely to stand down as president of the AEEU craft union to take over as general secretary of the International Confederation of Free Trade Unions, the main trade union international with 174 affiliates in 124 countries.

Mr Jordan, 58, yesterday nominated by the executive committee of the Trades Union Council in London, is not certain to get the top job in international trade unionism but with backing from the US, Germany and Japan he is the favourite.

### Signalmen's strike costs criticised

The railway signalmen's strike has cost British Rail £200m in lost revenues and islosing "core business" which may never be regained, Mr John Nelson, managing director of its south-eastern train operations said yesterday.

He was speaking as wage negotiations between the RMT transport union and Railtrack resumed at the Acas conciliation service.

# MANAGEMENT: MARKETING AND ADVERTISING

## Signs of the times

Russia has become an advertiser's dream, says **John Thornhill**, but a nightmare for regulators

There was a time when the only advertisements on the roof-tops of Russian cities were imposing slogans extolling the virtues of the proletariat and the glories of the communist party. But since the collapse of Soviet power, the cities' skylines have been transformed. Giant neon signs now light up the night sky promoting Marlboro cigarettes or Sanyo stereo systems. They are the most visible sign that Russia's consumer age has dawned.

Turn on the television and the change is just as startling. Commercials now teem between Mexican soap operas and glitzy game shows. Elsewhere, billboards have mushroomed, glossy magazines are eagerly devoured and flysheets handed out at metro stops promise returns of 1,600 per cent a year from various investment funds. "The advertising market really only began here two-and-a-half years ago but it has been growing at a phenomenal rate ever since," says Pallavi Sodhi, media director of Ogilvy & Mather's Moscow office.

But advertising's helter-skelter growth has occurred almost entirely unchecked and there has been little debate about who should regulate these new powers of persuasion. The threat from the unscrupulous is great because of advertising's novelty. "In the west most people instinctively distrust what they see in commercials. Here that is still not the case," one western advertising executive says.

Russians' susceptibility to extravagant claims has been highlighted by the rise and slide of the MMM pyramid scheme which sucked in investors' money through an advertising campaign, estimated to have cost $100m (£64.5m). In spite of the government's warning that MMM investment certificates were little more than "pretty postcards", the company continued advertising during many of Russia's most popular television shows. The government has now banned MMM from advertising in state-run media but it has simply switched to private media outlets. The humdrum star of its television advertisements, Lyonya Golubkov, can still be seen most nights dancing with a Mexican soap opera queen.

The lack of regulation has led Russian psychologists to warn of

**There may be as many as 800 agencies in Moscow alone – many of them of dubious reputation**

other dangers such as subliminal advertising, in which images flashed up in the middle of a commercial leave an impression on the sub-conscious mind. That may be relatively harmless when ice cream is being sold but fears are spreading that such techniques could be used for sinister political purposes.

"What if someone wanted to make Lyonya Golubkov president?" the weekly magazine New Times asked in a long examination of advertising's new power. The effective use of television was one of the main reasons for the strong showing of the extreme nationalist, Vladimir Zhirinovsky, in last year's presidential elections, the magazine observed.

The government has finally responded to such concerns and is drafting a law to regulate the industry. This promises to stop all advertising from unlicensed companies, such as MMM. It would also ban subliminal advertising and insist all material is "trustworthy and conscientious".

All cigarette and alcohol advertising would be banned and measures introduced to protect the young from unscrupulous campaigns.

But the most critical test of the legislation will be its implementation. As a scathing front-page article in Pravda observed, it is already supposedly illegal to advertise potentially harmful products, such as alcohol and cigarettes, under the government's existing health laws. The government lacks effective powers of enforcement and Russian businesses have a proven ability of staying one step ahead of officials. Completely new advertising channels, such as the fast-growing unofficial cable television operators, also threaten to become the regulators' nightmare.

The biggest battle, though, is likely to be fought on mainstream television, which accounts for three-quarters of all estimated advertising expenditure. About 99 per cent of the Russian population have access to television with the main channel, Ostankino, reaching a potential 280m people in the former Soviet Union and beyond. Despite recent sharp rises in the cost of advertising, it remains extremely cheap compared with other countries and an attractive means of promoting products.

"We like and use television advertising because of the sheer size of the country," says Michael Parsons, eastern Europe spokesman for Philip Morris, which advertises many cigarette and food brands in Russia, such as Marlboro. "There are 11 time zones and there is no other really effective means of reaching consumers across such a large land mass."

Most western multinational companies operating in Russia say they have their own strict guidelines on what advertising material they use. The big western agencies, such as DMB&B, Young & Rubicam, BBDO, and Ogilvy & Mather, which were the first to develop the Russian market also claim – somewhat piously – that they are bound by ethical considerations.


Gillian Campbell

New slogans for mass consumption: advertising in Russia is still a novelty

But there are few restrictions to stop any company, such as MMM, producing its own advertisements and putting them on the air. Many Russian entrepreneurs have also moved into creative advertising. One estimate suggests there may be as many as 800 agencies in Moscow alone – many of them of dubious reputation.

But the biggest and the best of them, such as Video International and Premier SV, have rapidly evolved into formidable operations. They are already making high-quality advertisements, including some for western agencies and clients, and have strengthened their grip on the media market by buying up big chunks of advertising time on the main television channels.

Alexei Gusev, director of Video International, says the private company now employs 250 full-time staff and uses more than 100 freelances. He forecasts that its annual income will have jumped from $250,000 three years ago to more than $10m by the end of this year. Video International has secured its position by buying up more than half the advertising time available on Ostankino.

Yegor Makhalov, production director of Premier SV, says the Russian advertising industry is learning fast and will soon prove more than a match for the western agencies. "Technically the western agencies are better but Russian agencies have good ideas and know a lot more about how the Russian market works," he says.

If the government's attempts at regulation prove fruitless, it may ultimately have to rely on these new power brokers to win the nation's hearts and minds. Significantly, perhaps, the ministry of finance has just commissioned its own advertising campaign to fight the financial fraudsters.

## Societies hang on to homely image

**Alison Smith** finds that the traditional mortgage lenders have retained the public's affection

**The recent rise in mortgage interest rates has created some unwelcome publicity for lenders about the rates they will soon be charging their customers.**

Not for the first time commentators have highlighted the way the new rates tend to be passed on more quickly to borrowers than to savers.

For the most part, however, the building societies that dominate the UK mortgage market have a markedly better public reputation than the high street banks, even though the financial services they offer increasingly overlap.

Earlier this year, a survey by polling organisation BMRB for the Building Societies Association suggested that societies were regarded more positively than banks or insurance companies, scoring more strongly on fair dealing, communicating with customers, taking complaints seriously and being more understanding of those with financial problems.

It is perhaps striking, therefore, that more societies do not exploit this apparent affection more vigorously in their advertising. Only the Nationwide – with its slogan "The 'Building' Society", and its use of staff to devise and appear in advertisements – has wholeheartedly cultivated this traditional image.

"We want to put across that we are an honest, open, decent type of organisation to do business with," says Dennis Brockwell, Nationwide marketing director.

"Using real people has given us credibility compared with some of our competitors. Customers have asked local staff why they have not appeared in the campaign."

By contrast, the line in the Halifax campaign – "The building society you can bank on" – looks like an attempt to combine the warmth felt for societies with a claim for competence in delivering services which may not be so immediately associated with the sector.

Other recent campaigns – such as the one promoting the Alliance & Leicester's new Alliance current account – have concentrated on particular products or services and made no feature of the type of organisation offering them.

This lack of emphasis is particularly notable given the lengths to which Abbey National, the former society turned bank, has gone to retain the affection people apparently feel for societies.

The group decided not to include the word "bank" in its name within the UK to distance itself from the four largest clearing banks. It also kept its logo – two people walking along with the roof of a house as an umbrella – which has been used since 1944.

Whatever their differences there is a general consensus among societies that seeking to differentiate themselves explicitly from banks is not the answer.

A&L has a particular complication, as John Day, director of marketing, admits. One of its subsidiaries is Girobank, which it bought from the Post Office in 1990.

Day is wary of contrasting banks and societies in A&L's marketing, though he emphasises that the society does not want to be seen as "bank-like" in terms of the standards of services which customers expect.

"We feel you have to be careful how you take that stance – after all we are moving more into banking products," he says.

The Halifax is aware that the perceived virtues of societies can be seen as weaknesses too. However "nice" societies are thought to be, they are not necessarily viewed as efficient, particularly in delivering services, where the premium is on speed and accuracy rather than the personal touch.

Mike Lavender, marketing assistant general manager, says "The Building Society you can Bank on" slogan, which suggests the best of both worlds, is being used specifically to promote banking products such as current accounts and motor insurance.

At the same time the Halifax aims to retain what Lavender calls the "warm and cuddly" image through its more general television advertising, which is based on the idea of people coming together to build structures.

This theme was developed three years ago to prevent the erosion of support for the society as it diversified into new activities which were further away from societies' roots.

"You can't go into bank accounts or estate agency without perhaps some drag on the brand," Lavender says. He believes that as societies take more advantage of the opportunities to diversify, other large societies will try to "get back to that warm feeling".

# TECHNOLOGY


# Of machines and men

**Vanessa Houlder** launches a series on IT innovation in the financial services industry

In the depths of Midland Global Market's blue glass offices by the River Thames, a phalanx of computers is engaged in a battle of man against machine. These systems, which have the collective power of a supercomputer, are attempting to find ways to beat the financial markets more consistently than human traders.

Between five and 25 times a day, the basement's rarefied atmosphere is disturbed by a few bars of Deutschland über Alles or the Star Spangled Banner. These tunes are emitted by a computer signalling a recommendation to buy or sell futures – the right or obligation to buy or sell a bond or other financial instrument at a certain date – in one of five markets: the bund [German bonds], FT-SE, US Treasury Bond, Swiss Franc or S&P500.

This is an example of a new phenomenon in the banking world. Midland's 16-month-old experiment with computer-based predictive models is one of numerous attempts in the City of London and Wall Street to find reliable ways of making money from advances in computing and mathematical theory.

Over the past few years, the financial institutions have recruited mathematicians and physicists – known in the City as "rocket scientists" – on an unprecedented scale. The Midland team, for example, includes two people who really are rocket scientists; the others have degrees and doctorates in physics, mathematics and engineering.

Computerised trading models have aroused intense controversy. Their champions argue that "intelligent" computer software will soon oust highly-paid traders; detractors argue that they are a pointless sideline, based on inherently flawed assumptions about the way that markets work.

Some aspects of this debate are not new. Fascination with methods of predicting the market goes back centuries. For example, one system which gained popularity in the 1870s advised the investor to buy on the stock exchange when it had moved up by 10 per cent and sell when it had moved down by 10 per cent.

The difficulty of manipulating data by hand put tight constraints on the number and complexity of trading rules that could be tested against the market. It was only when powerful computers and detailed historical market data became available that the creation of models could be pushed into a different league.

The Midland system, for example, involves about 60 personal computers and a 16 gigabyte database, which holds up to 20 years of market data. It receives 250,000 prices daily, each of which is time-stamped with a radio signal from an atomic clock.

But can computer models really predict the ways markets move? Classical economic theory suggests there is no systematic way to beat the market other than by receiving sensitive information faster. The markets are inherently unpredictable because they are only moved by unexpected news; old news is already assimilated in the market.

**Many theorists believe that although most market movements are random, a sizeable proportion is not**

This theory is seen by some as an over-simplification. Markets are driven by many different players, such as market makers, speculators, portfolio managers and central bankers. Since they have different investment horizons and different attitudes to risk, they may react to the same information in different ways.

Many theorists believe that although most market movements are random, a sizeable proportion is not. Paul Refenes, head of non-linear applications and financial engineering at the London Business School, believes that sophisticated mathematical models based on non-linear dynamics are, in principle, capable of predicting 30 per cent of market movements.

Although Nick Idelson, head of Midland's computer-based predictive models, is convinced that non-linear dynamics apply to the financial markets, his models are not based on any general theory. They have been derived by testing a large number of intuitive ideas about rules governing the markets. The models work by trying to make more money on successful trades than they lose on unsuccessful trades. One of the Midland models makes money despite getting the direction of the market wrong more often than it gets it right.

In general, the six portfolios make less money than the firm's traders but they perform more consistently. Midland's S&P500 models have beaten the S&P500 index threefold over two years.

Their performance has by no means been faultless. For example, the model made significant losses in March and April – triggered, Idelson believes, by Japanese funds pulling large sums of money out of the bond markets. The model could not cope with this because the market conditions were unlike any encountered during testing.

This highlights an important dilemma for model builders, namely deciding the exact circumstances when a trader should override the decisions made by the model. Some traders believe that automated trading machines should be switched off whenever market conditions differ from those in historical stimulations. But ultimately, the decision about when to switch the machine on and off is a matter of subjective judgment.

The problem of judging when the machine will be unable to cope with anomalous market conditions is made more acute by another possible explanation for a poor performance by a model, known as "over-fitting" – when so many rules are incorporated in the model that it fits the historical data on which it was tested but is a dismal failure in live trading. This is a common pitfall for model builders who unwittingly take familiar data into account when designing their model or choosing their parameters.

Another problem arises from changes in the pattern and behaviour of markets. Models should be periodically monitored to discover if there is a "slow drift" in empirical parameters used to describe markets over time, according to Idelson.

To some extent, it is inevitable that models may become obsolete. If enough people discover and exploit the same anomalies and patterns in the market, those anomalies and patterns will eventually disappear. "It is a vicious circle," says Refenes. "The more tools there are, the more efficient the markets will become. Therefore they [traders] demand better tools and the market becomes still more efficient."

But this is seen as an opportunity, rather than a threat by Richard Olsen, who heads Olsen & Associates, a Zurich-based research institute. He argues that the additional trading opportunities created by computer models will lead to higher market volumes, which will reduce transaction costs. This will increase opportunities for short-term trading, creating a more complex market and new opportunities for profitable trading models.

To some, this vision of wealth-creating computers is an absurdity; others believe it is already within their grasp. Depending on which view is vindicated, the impact of new technology on the financial markets will either be a passing phenomenon, or will have profound, long-term effects.

*The next article in the series will focus on computing tools.*

## Smoking out the truth

**Sheila Jones and Frances Williams** on the statistics of tobacco

Statistics can give imprecise truths, precise lies, but never facts. Yet statistical studies of smoking habits and mortality rates in the developed world have established in the minds of most that there is a strong link between smoking and the incidence of lung cancer and other diseases.

Earlier this week, the World Health Organisation and the Imperial Cancer Research Fund published their study, Mortality from Smoking in Developed Countries 1950-2000*. It concludes that 3m people worldwide are dying each year through diseases related to smoking. The tobacco "epidemic" is killing six people a minute.

The study, citing US data, found that the risk of lung cancer is 24 times higher for a smoker than a non-smoker. For heart disease the risk is three times greater.

The tobacco industry, as a whole, has fought hard against a growing mountain of statistical evidence.

John Ashford, a consultant in statistics, dismissed the WHO/ICRF study this week in a BBC radio tussle with Richard Peto, one of the co-authors. According to Ashford, an adviser to several international tobacco companies, the study is "scaremongering – generating very large numbers and using them to frighten people".

Studies since the 1950s, when Sir Richard Doll first pointed to a causal link between smoking and cancer, have all painted the same picture: that tobacco kills. This is the point about statistics, says Peto. "We are not claiming precision, but we are getting the right picture," he says. "The overall numbers might be too high or too low, but using the same methods in different years and in different countries, you can see how the epidemic is evolving."

The WHO/ICRF report bases its conclusions and forecasts in large part on data collected in the US and the UK. It examines smoking habits and mortality rates over four decades. Forecasts are based on the proportion of smokers in the population, and on the assumed risk based on US and UK data.

The main point is to examine smokers and death rates over prolonged periods, according to the authors. The current epidemic is among males in the developed world who started smoking as young men in the mid-1940s. The increase in male deaths is slowing, as smokers in the developed world respond to health warnings, but it is speeding up among female smokers, and among men in developing countries, where smoking has been taken up later.

In the US, researchers asked 1m Americans in the early 1980s how much they smoked and monitored their death rates over the next few years. The US is a "mature epidemic population" – that is, the risks of smoking have had the chance to work through a lifetime.

A UK study of 40,000 doctors, which asked the same sort of questions in 1951, came to broadly similar conclusions. Both studies found that smokers faced a much greater risk than non-smokers of premature death from lung cancer or from vascular and respiratory diseases.

The WHO/ICRF study goes on to predict that the worst is yet to come, especially in developing countries, where smoking is rising among men. There is no evidence the trend applies to women yet, but it could come with economic modernisation and changing lifestyles, according to Alan Lopez, another co-author.

The quality of the data in the developing world is mixed, says Lopez. "But for some countries, such as China, we have very precise information . . . we know a lot of men are smoking in developing countries. We don't know for sure what the risk of death from smoking is in these countries because the full impact is yet to come."

The WHO/ICRF authors say their next task is to gather yet more statistics. "They won't change the big picture," says Peto. "But they're bound to change the fine detail. The question with statistics is not 'is this exactly right?' No, it isn't. But, if you ask: 'is this the order of the epidemic?' Yes it is."

* *Mortality From Smoking in Developed Countries – 1950 - 2000. Oxford University Press. £50.*

THE

# DAVID THOMAS

PRIZE

David Thomas was a Financial Times journalist killed on assignment in Kuwait in April 1991. Before joining the FT he had worked for, among others, the Trades Union Congress.

His life was characterised by original and radical thinking coupled with a search for new subjects and orthodoxies to challenge.

In his memory a prize has been established to provide an annual study/travel grant to enable the recipient to take a career break to explore a theme in the fields of industrial policy, third world development or the environment.

**The theme for the 1995 prize, worth not less than £3,000, is:**
**DOES FREE TRADE THREATEN THE ENVIRONMENT?**

Applicants, aged under 35, of any nationality, should submit up to 1000 words in English on this subject, together with a brief c.v. and a proposal outlining how the award would be used to explore this theme further.

The award winner will be required to write a 1500 to 2000 word essay at the end of the study period. The essay will be considered for publication in the FT.

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# PEOPLE

## Richards to pep up Peptide

Peptide Therapeutics, the biopharmaceutical development company which is planning a flotation later this year, has appointed one of the UK's leading bio-technology scientists, Brian Richards, as its non-executive chairman.

Richards, 62, has a string of academic qualifications starting with a first class degree in agricultural sciences from the Aberystwyth branch of the University of Wales in 1952. Ten years later he was Reader in biological sciences at the University of London, assisting in the establishment of the UK's first school of biological sciences.

In 1966 Richards helped set up a UK research laboratory for the US company G.D. Searle & Co. which pioneered research into immunology and genetic engineering. Monsanto bought G.D. Searle in 1986, whereupon Richards, together with Keith McCullagh and Geoffrey Eckersley, started British Bio-Technology (BB), backed by £3.5m from UK and US investors; Richards remains non-executive chairman.

Peptide's main areas of research focus on asthma, allergies and rheumatoid arthritis, while BB is currently engaged in programmes for anti-cancer treatments, though it too is engaged in research into treating side-effects of asthma.

Besides his role at BB, Richards recently chaired a Stock Exchange committee which considered the current listing rules for science-based companies.

## Downing emerges at Lehman

Lehman Brothers, the US investment bank, has bolstered its European business with the appointment of James Downing as head of strategic advisory services for Europe.

The new head of Lehman's European M&A is another high-level departure from Wasserstein Perella, the M&A boutique involved in many of the most prominent transactions of the late 1980s.

Joseph Perella, one of its founders, parted company in 1993, and altogether at least six senior figures have left in the past 12 months.

Two of them have gone to Lehman Brothers. François Faure made a similar move to Downing's in June. Formerly head of M&A for Wasserstein Perella in Paris, he moved to join Lehman's team covering French M&A.

Downing says he is moving to Lehman Brothers because of its diversity of products which he contrasts with the focused approach of Wasserstein Perella. "It is important to broaden out," he says.

Downing joined Wasserstein Perella from CS First Boston, where he worked from 1985. He has been involved in M&A since 1982 in both New York and London; he is a graduate of Yale school of management.

■ **David Gilchrist** has been promoted to group secretary of the HALIFAX BUILDING SOCIETY.

■ **David Hall** has been appointed chief executive of Johnson & Firth Brown, the specialist engineering group, in a move that follows the decision to sell most of its light engineering division.

The appointment ends an arrangement under which JFB had two joint managing directors, Hall and George Hardie. The portfolio of companies are being bought by Clearbase, a consortium led by Hardie, who also ran the light engineering division. Hardie has now resigned as a director of JFB.

Hardie was also finance director, and is replaced in this capacity by Neil MacDonald, who was appointed a JFB director last month. Tony Edisbury has resigned as company secretary, replaced by John Bergin.

■ ***Michael Sennott*** is marking his 30th year with McCann-Erickson with a new job and a change of scenery. The advertising agency's 52-year-old vice-chairman is about to move from New York to London to become director of its largest regional operating arm, McCann-Erickson Europe.

Beginning at the new year, Sennott will take over from Max Cusnir, a worldwide executive vice-president at the agency. Cusnir, a 62-year-old Belgian, will remain in Europe to work on international business development projects, reporting directly to John Dooner, president and chief executive of McCann Worldwide.

The assignment is somewhat of a reprise for Sennott. In the early 1990s, the executive shared responsibility with Cusnir for managing the European operation, which currently manages $2.5bn in advertising accounts for its clients. After completing that assignment, Sennott was appointed to his current post, which carries the additional title of worldwide director of multinational accounts. McCann has not named his successor.

■ **Bob Cameron**, director of manufacturing, and **Keith Dennis**, director of personnel, have been appointed to the board of COCA-COLA & SCHWEPPES Beverages.

■ **Peter Mason** (below), chief executive of Balfour Beatty, BICC's construction arm, has been appointed chairman with immediate effect, taking over from Sir Robert Davidson who is retiring. Mason, 48, joined Balfour Beatty from Norwest Holst in 1992.

Sir Robert has been appointed chairman of Devonport Management, the company formed in 1987 to manage Devonport Royal Dockyard, and continues as a non-executive director of BICC.

## Non-executive directors

■ **Peter Ellwood** (above), chief executive of TSB Group and chairman of Visa International, at SEARS.
■ **Christopher Pearce**, group finance director of Rentokil, at The BURTON GROUP.
■ **Wolfgang Kulenkampff**, a director of Thyssen Haniel Logistic, and **James Salmon**, former md of Crosfield Electronics, as chairman at ISA INTERNATIONAL.
■ **Sir John Riddell** at GOVETT STRATEGIC INVESTMENT TRUST.
■ **Ian Gowrie-Smith** has resigned from MEDEVA but remains a consultant.
■ ***Mark Robinson MP*** at LEOPOLD JOSEPH HOLDINGS.
■ **Laurence Olivier** has retired from MERIVALE MOORE.
■ **David Pearl**, former chairman of London Securities, and **Terry Thomas**, md of the Co-Operative Bank, at STANLEY LEISURE ORGANISATION.
■ **Antony Coleby**, a former executive director of the Bank of England who was involved in monetary policy and market operations and who is also on the board of the Halifax Building Society, at the Dublin-based ANGLO IRISH BANK CORPORATION.
■ **Laurie Conner**, 57, a former managing director of corporate finance at Hoare Govett, and **Lionel Barras**, 62, an investment banker, at Guinness Mahon & Co.
■ **John Rowson**, formerly senior partner of Herbert Smith, and **Nicholas Barber** as deputy chairman at ROYAL INSURANCE HOLDINGS. This follows Allen Gormly becoming chairman on Sir John Cuckney's retirement; Sir Max Williams and Sir John Milne are to retire after the next agm.
■ **Simon Miller**, chairman of Safetynet and Ferrum Holdings, as chairman of DUNEDIN VENTURES.

# ARTS

Cinema/Nigel Andrews

## Characters in search of a plot

CITY SLICKERS 2 (12)
**Paul Weiland**

ABRAHAM VALLEY (PG)
**Manoel De Oliveira**

GETTYSBURG (PG)
**Roland F. Maxwell**

FAUST (15)
**Jan Svankmajer**

The curse of movie sequels is the tyranny of plot. Part one of a cine-saga is enriched by the process of introducing characters and developing their foibles and interplay. In part two that groundwork is done – so the film-makers must throw down their spades and take up their scaffolding tools. Build that narrative adventure-playground! Make the characters Do Something! The higher the climbing-frame the better; and never mind how silly the design, so long as there are enough "What next?" rungs to grab the attention.

*City Slickers* was a comedy about a band of urban males surrendering to Nature on a dude cowboy holiday. No plot in particular: just a funny tale of culture shock in cactusland. *CS2* has a different feel from the start. The humanist honeymoon is over; the Hollywood hokum is about to begin. We imagine the opening salvoes at the story conference. "Guys, we gotta have a *story* this time round!" And then, "Guys, we gotta bring Jack Palance back into this pic even though he died in the first one. He won us an Oscar!"

Well, there are only two ways to bring a dead character back: as a ghost or a twin. *Slickers 2* opts for the second. Grizzled Jack plays his fraternal double while star/screenwriter Billy Crystal re-plays Mr Menopausal of Manhattan, whom wild horses would not drag back into the wilderness but whom a Compelling Plot Device just might. "Try buried treasure," an excited executive must have said. So they do.

Off to wildest Utah go Mitch (Crystal), Phil (Daniel Stern) and a token new character in Mitch's brother (John Lovitz). And soon Palance is pouncing off a rock at them. He is after the treasure as well, since it is his Pop's. He growls; he hisses through that gargoyle mail-slit of a mouth; he generally behaves like a great character actor required to ham it up.

Not all is lost, even though Palance is squandered. Crystal can still deliver a mean one-liner, whether discussing brotherhood with Phil – "I can't believe you two are from the same gene pool," says Phil; "He's from the shallow end" answers Mitch.

But mostly everyone seems dazed by the piling on of plot and of irrelevant action sequences, including a silly stampede. Director Paul Weiland, out of British TV commercials by one disastrous previous feature outing (*Leonard Part VI*), brings little flair to the visuals and not much more to the jokes.

★

For true comedy you should try *Abraham Valley*. This purports to be a film by Portuguese director Manoel De Oliveira, maker of those magisterial lost-love epics *Francesca* and *Amor Di Perdicao*. But we wonder at times if it is not a lost episode of *Monty Python*.

To escape the life of deranged formality she has been born into – the sun-lanced salons, the starched dinners – our heroine Ema leads the life of a woman inspired, as the film and the novel it is drawn from (by Agustina Bessa-Luis) make clear, by her Flaubertian namesake.

Bovaryish, she marries a medico: "a clever doctor, expert in phlegm" says the voice-over narrator. Bovaryish, she has affairs; reads a lot; gets bored amid the lovely, yawning scenery. The press-show audience gave a sympathetic chortle when the narrator told us, after two hours of this near-catatonic three-hour tragedy/social satire/romance, "Ema was intent on stepping up the pace of her life, in any way she could think of."

Yes indeed. If only. Instead, 60 minutes later, she steps on the rotten plank of a boat jetty and drowns in what appears to be all of three feet of water.

Like any seraphically bad film, *Abraham Valley* has its seraphically good moments. Oliveira can place a human profile against a painterly blur of autumn colours and make it an image of searing, hieratic beauty. And he can freeze the film for moments of meditation, when a poised landscape or character-grouping define not just a moment but a milieu, even an epoch.

But then the film reverts to its crazed story of passion – this woman causes cars to crash merely by standing on a terrace – and to its Loony Tunes one-liners from the narrator. "Ema put on a boiler suit to go mad in a motor boat," he intones at one point; and we are almost too dazed to savour the line's battiness. But how else to bombard a little life into a woman who is not so much a human being, more a carbon copy of literary heroines past: a Flaubert parrot, shall we say, mimicking the cries of a superior creation.

★

*Gettysburg* is four and a half hours of the magnificent in hand-to-hand combat with the mundane. It was made for American TV, so we have no big stars: just big beards and big battles. Tom Berenger and Martin Sheen sport the devouring face-fungus as Confederate Generals Longstreet and Lee and Jeff Daniels is concealed under a walrus moustache as Colonel Chamberlain. He held the yankees' flank in round one of the Civil War's bloodiest battle, leading the bayonet charge from the hill known as Little Round Top.

Daniels shows how it should be done. Not impaling Southerners, we mean, but holding the high acting ground. He delivers the speeches about democracy with fearless passion; he delivers the tears as comrades die. Daniels' piercing simplicity as an actor ends up "holding the line" for the entire film.

Nothing matches him. Writer-director Ronald F. Maxwell spends the first half rooting for the North, the second hobnobbing in the Southern camp as Sheen, Berenger and company ready for the suicidal assault known as Pickett's March. Hundreds of extras; serial cannons spitting smoke; and an aerial camera weaving like a conductor's baton to Randy Edelmann's remorselessly "stirring" music.

We are stirred. But should we not also have been shaken? The deaths are lost in the grim abundance of clutched stomachs, unhorsed cavalrymen and blast-catapulted bodies. We tell ourselves to be appalled. But we wait, vainly, for the one true moment of felt and intimate horror.

★

Jan Svankmajer's *Faust* treads the city of Prague like a lost tourist in Kafkaland. The film begins with live action, as our clerkish, woebegone hero (Petr Cepek) threads the city's alleys and labyrinths as if they were the mazes of his own minds. Then on dance menacing puppets, the writhing clay creatures, the bald, hog-toothed Mephistopheles and the giant wooden mask that disgorges mini-marionettes like Gulliver throwing up Lilliputians.

Kafka? Make that Kafka with a dash of Swift, *Spitting Image* and Hieronymous Bosch. Much of *Faust* is appallingly funny; most of it is inspirationally surreal; and some of it is a touch laborious, as we would expect when a short-film genius goes to feature length. Wit and vision, though, are rare enough in the movie world: we are not about to send them back even when they are thinly spread.

Hollywood hokum: Billy Crystal and Jon Lovitz in 'City Slickers 2'

Theatre

## Joking Apart

Watching Alan Ayckbourn's plays today prompts an increasingly two-pronged reaction. On the one hand, as soon as the curtain rises, you still feel that you have been watching this kind of play all your life. The middle-class English milieux that Ayckbourn puts onstage feel so normal, the kinds of remarks his characters make sound so ordinary, and the social satire involved is so classic. On the other hand, there is the peculiar fact that virtually no one else has been writing plays of this ilk for years. Ayckbourn today is becoming as isolated as Coward did in the 1950s: a virtuoso of an old but no longer fashionable school.

Well, fashion be damned: the Greenwich Theatre has launched its new season with an old Ayckbourn play, *Joking Apart*, and the main emotion I felt on opening night, returning to Ayckbourn, was blessed relief. A real play! – with characters and dialogue crafted from the first moment to the last; and without being reinterpreted by latterday concepts. A good Ayckbourn is sheerest tonic.

*Joking Apart* (1979) is about a genuinely happy and fortunate couple, Richard and Anthea; but they themselves are not funny. All around them, however, are old friends who are increasingly unhappy and unfortunate, and who increasingly realise how unhappy and unfortunate they are. There are the useless new vicar Hugh (who falls in love with Anthea) and his nervous wife Louise (who winds up between stimulants and tranquillisers); and Sven (one of those people who is never wrong, until he is grimly forced to learn that he is usually wrong) and his wife Olive (who lives vicariously through him, though by the end she is learning that it is not worth it); and Brian (who fell in love with Anthea years ago, and can conceal this fact neither from her nor from his succession of subsequent girlfriends). And it is the disasters of their lives, as contrasted against the generous serenity of Richard's and Anthea's, which Ayckbourn makes so dreadfully funny.

Yes, *dreadfully* funny. By the last scene I repeatedly found that no sooner did I guffaw with laughter that I had to clap my hand over my mouth in appalled embarrassment. A little of Sven's old self-assurance surfaces, as he watches Richard fixing some lights, and he tells him "You'll never do it if you do it that way": at which point Richard proclaims "That's done it!" – and, lo and behold, the lights work. Sven, crushed again, looks away in silence; he has grown resigned to defeat. Finally he makes an address to Anthea's daughter Debbie, "on behalf of life's losers". The pain through which you laugh at all this is Ayckbourn's special feat.

It is a tribute to Ayckbourn's mastery that, even though I always remembered what would happen next, I still followed everything with wholly fresh delight. It is also a tribute to this Greenwich revival, directed by Robin Herford. All the players are good; and two are outstanding. John Arthur completely catches the difficult Sven, smouldering with barely hidden aggression; and has the brilliant timing whereby the simple repetition of "Yes" (*pause*) "Yes" (*longer pause*) "Yes" sums up all his dawning sense of perpetual defeat. And Liz Crowther is uncannily fine as Louise, awkward and tense and brittle with her husband and everyone else. Looking someone in the eye *and* talking to them at the same time is too much for her; so she does one or the other.

**Alastair Macaulay**

Greenwich Theatre, until October 29.

Alastair Muir

Lesley Nicol, Julia Watson, John Arthur and Liz Crowther

## Toshiba support for the ICA

The Institute of Contemporary Arts, London's guardian of the avant-garde, is to change its name, and, ideally, its home. In future it will be known the ICA (Sponsored by Toshiba), and by the millennium hopes to be in new, more flexible, premises, with Blackfriars Bridge its preferred site.

Toshiba, the Japanese electronics manufacturer, is giving the ICA £500,000 over three years and in return will have its name attached to every piece of publicity material and event at the ICA. It also gets the opportunity to display its newest hardware in the foyer of the ICA's Mall galleries.

The money will enable the ICA to mount more adventurous art shows, cinema seasons and plays. The deal also involves support in kind. Toshiba was looking for an arts sponsorship which conveyed cutting edge innovation and the ICA certainly provides that. There will be *no interference in programming policy*.

Although a Nash terrace in the Mall is an unusual and prestigious site for an ikon of the new, the building is the wrong shape. The hunt is on for a new home and architects will be appointed by the end of the year. There is an interesting jetty near Blackfriars Bridge, close to the Tate's proposed Bankside site for its new Gallery of Modern Art, which looks ideal.

The cost of the new ICA will be over £20m and it joins the long queue for lottery money, ideally from the Millennium Fund, perhaps from the Arts Council Lottery cash bank. The council is a good friend of the ICA and raised its grant by 7 per cent this year. But the ICA still manages to earn two thirds of its £2.4m annual turnover.

**Antony Thorncroft**

Dance/Clement Crisp

## Cumbre Flamenca

The Cumbre Flamenca troupe is back, and that news is probably all the inducement dance-lovers need to hasten to Rosebery Avenue. The evening is real, gutsy, life-enhancing. No-one will claim that there is much variety about Flamenco: you watch it for the sake of bodies twisting, stamping; for flaring emotions; for arabesques of yowling and prodigies of rhythm from hands and feet. But at its best – and thus it is with Cumbre Flamenca – it is heady stuff.

What I love especially is the sense in which the performers commune with themselves. On certain terms, Flamenco is introspective, the performers – be it singers, guitarists, dancers – dragging their art from their psyches. The three women, Juana Amaya, Mariquilla, Angela Granados, are wonderfully contrasted dancers, each a priestess of her own rite. Amaya comes on looking rather put out – you would hoist storm cones if wife, mother, beloved, appeared looking like this at breakfast, and duck behind the marmalade. She seems to sulk her way through the first moments, as singer and guitars urge her on. Then gradually, she is possessed by her daemon, and the movement becomes urgent, vicious in its accents, more elemental. Her art is laid bare for us – *nuanced but fierce, uncompromising*, stunning. At the end of her solo, hair everywhere, eyes staring, she seems drained of the wonderful identity the dance has given her. She is an extraordinary, fascinating artist.

So, too, is Mariquilla, a darling of the last *Cumbre* visit. She hurries on stage fully charged, in "Now I'll show you" mood, and proceeds to do so. She is, I must ungallantly observe, no longer in the first flush of girlhood, but her power and charm are the more tremendous because of that. She marks out the stage with a first sketch of pose and step: this is her domain. She broods over some movements. She has lit the blue touch-paper, and we'd better watch out, the fireworks are about to begin. She smiles. She shouts. The dance takes hold: the wonderful drumming of her feet, the flash of her torso, her sated look as the movement builds up in speed and her audience responds to her – these are the marks of great flamenco art. She is generous, joyous, glorious.

Very different is Angela Granados, whose dancing springs from the cobra-coils of her dress's train – yards of amber ruffles – and is framed by her white shawl. It is sensuous, splendidly mannered, iconic. Her movement is luscious, her style alluring, but it is also hieratic, reduced to a fascinating essence. Where Juana Amaya and Mariquilla seem driven by the dance, Granados is always, and beautifully, its mistress.

The two men, Juan Fernandez (who is new to us) and Cristobal Reyes, are no less well contrasted. Fernandez is an elegant, stylish artist, at his most compelling when confronting or partnering another dancer. Reyes is a rhythmic virtuoso, and is phenomenal in a dialogue with the handclaps of Pedro Montoya, where the rattle and purr of his feet embroider and respond to rhythms stated by Montoya – it is a bravura display from both men.

The staging remains absolutely simple. The musicians and singers are very fine – and Jose Luis Monton is superb in a guitar fantasia. The dancers offer the true raw spirit of flamenco – and as with any slug of raw spirit, you knock it back and enjoy the intoxicating kick.

At Sadler's Wells until October 8.

## INTERNATIONAL ARTS GUIDE

### ■ ATHENS

**Odeon of Herodes Atticus** Tonight, Sat: Spyros Argyris conducts Patricia Panton's Monte Carlo Opera production of Verdi's Otello, with cast headed by Vladimir Atlantov, Nina Rautio and Alain Fondary. Sun: Argyris conducts Stravinsky's Oedipus Rex (01-322 1459)

### ■ BOLOGNA

**Teatro Communale** The autumn concert season begins tomorrow and Sat with a Brahms and Dvořák programme conducted by Jiri Kout, featuring violin soloist Viktor Tretiakov. Mon and Tues: Vladimir Delman conducts Giuseppe Verdi Symphony Orchestra in the first symphonies of Beethoven and Mahler. The opera season begins in late November (051-529999)

### ■ FLORENCE

**Teatro Communale** Sat: Zubin Mehta conducts first of five performances of Jonathan Miller's production of Così fan tutte, with cast including Karita Mattila, Delores Ziegler, Deon van der Walt and Alessandro Corbelli. Next Wed at Piccolo Teatro: first of four performances of Il filosofo di campagna, dramma giocoso by 18th-century Italian composer Baldassare Galuppi (055-277 9236)

### ■ GENOA

**Teatro Carlo Felice** Tonight, tomorrow, Sat, Sun afternoon: Odessa Opera presents Tchaikovsky's Maid of Orleans. The first home-grown production of the season is Der fliegende Holländer in December (010-589329)

### ■ LONDON

**THEATRE**

● Beautiful Thing: the Bush production of Jonathan Harvey's uplifting play – about two boys who fall in love against a background of disintegrating families on a housing estate – resurfaces in the West End after its sell-out success at the Donmar Warehouse in March. Now previewing, opens on Mon (Duke of York's 071-836 5122)

● The Sisters Rosensweig: Maureen Lipman, Janet Suzman and Lynda Bellingham in Wendy Wasserstein's Broadway success about three American Jewish sisters who have a reunion in London. The production has just moved to the West End after a successful run in Greenwich (Old Vic 071-928 7616)

● The Playboy of the Western World: Lynne Parker's new production goes straight to the heart of Synge's dark, cruel comedy about Christy Mahon, the lying Irish playboy (Almeida 071-359 4404)

● The Devil's Disciple: Christopher Morahan directs Bernard Shaw's 1897 satire on melodrama – in repertory at the Olivier with Chekhov's The Seagull, starring Judi Dench (National 071-928 2252)

● The Hostage: Michael Bogdanov directs the Royal Shakespeare Company's new production of Brendan Behan's great Irish drama. In repertory with Shakespeare's The Tempest (Barbican 071-638 8891)

● The Winslow Boy: Peter Barkworth plays the stiff upper-lipped father battling against Whitehall to prove the innocence of his son, who has been expelled from naval college. A well-made production of Terence Rattigan's well-made 1946 play (Globe 071-494 5040)

● The Picture of Dorian Gray: Maria Aitken, Benedick Bates and Tim Piggott-Smith in a new production of Oscar Wilde's social drama (Lyric Hammersmith 081-741 2311)

● The Miracle Worker: Jenny Seagrove is the beautiful heroine in William Gibson's well-tailored tear-jerker about the blind infant Helen Keller (Wyndham's 071-369 1736)

● Dead Funny: Terry Johnson's brilliant, elegantly-acted comedy about marriage among the emotionally retarded middle classes (Vaudeville 071-836 9987)

● Saint Joan: Imogen Stubbs is the soldier saint in this fine staging of Shaw's wordy but gripping play (Strand 071-930 8800)

● Once On This Island: following Broadway success and a sell-out season at Birmingham Rep, Lynn Ahrens and Stephen Flaherty's musical is welcomed into a specially created Caribbean environment at the Royalty. The fairytale story of a peasant girl's doomed love for an aristocrat is directed by David Toguri and Gwenda Hughes. Previews begin tonight, opens next Wed (The Island Theatre at the Royalty 071-494 5090)

● She Loves Me: the charming 1963 Masteroff, Bock and Harnick musical about two longtime pen pals who do not know they work in the same parfumerie. Ruthie Henshall and John Gordon Sinclair head the cast (Savoy 071-836 8888)

**OPERA/DANCE**

**Covent Garden** The Royal Opera production of Turandot, with a cast headed by Sharon Sweet and Giuseppe Giacomini, conducted by Daniele Gatti (next performances tonight, Sat, next Wed). Michael Hampe's production of La Cenerentola is revived on Mon with Olga Borodina as Angelina, conducted by Bruno Campanella. The first new productions of the season are Das Rheingold and Die Walküre on Oct 13 and 14. The Royal Ballet returns on Nov 3 with the British premiere of Anthony Dowell's new production of Sleeping Beauty (new box office number: 071-304 4000)

**Coliseum** English National Opera has a new production of Tosca, conducted by Alexander Gibson and staged by Keith Warner, with a cast headed by Rosalind Plowright, David Rendell and Henk Smit (next performances Sat and next Wed, runs till Oct 27). Jonathan Miller's production of The Mikado was revived last night and runs till Oct 6. The next new production is Massenet's Don Quichotte, opening Oct 8 (071-836 3161)

**Sadler's Wells** Cumbre Flamenca, a touring Spanish flamenco group, is in residence till Oct 18 (071-278 8916)

**CONCERTS**

**Barbican** Tonight: Michael Tilson Thomas conducts London Symphony Orchestra in a new work by James MacMillan and Mahler's First Symphony. Sun and next Tues: Tilson Thomas conducts Krenek, Knussen and Mahler's Second Symphony. Next Wed: Pinchas Zukerman is conductor and violin soloist with ECO in a Beethoven programme. Next Thurs: Colin Davis, Mstislav Rostropovich and Tilson Thomas head the LSO's 90th birthday gala (071-638 8891)

**South Bank Centre** Tonight: Francesco D'Avalos conducts Philharmonia Orchestra in works by Beethoven, Clementi, Mendelssohn and Martucci. Tomorrow: Matthias Bamert conducts LPO in Bizet, Martin, Debussy and Musorgsky/Ravel. Sat: Yevgeny Svetlanov conducts Philharmonia Orchestra in Rakhmaninov and Tchaikovsky. Sun: Franz Welser-Möst conducts LPO in Messiaen and Bruckner. Mon: Eliahu Inbal conducts NHK Symphony Orchestra in Mahler's Ninth Symphony. Tues: grand final of World Piano Competition. Oct 2: Jessye Norman (071-928 8800)

**Wigmore Hall** Next Tues: June Anderson song recital (071-935 2141)

### ■ MILAN

**Teatro alla Scala** Tonight, tomorrow, next Tues: Gianandrea Gavazzeni conducts the Zeffirelli production of La bohème, with casts including Mirella Freni, Roberto Alagna and Nicolai Ghiaurov. Sat, next Wed and Thurs: Kenneth Montgomery conducts Handel's oratorio La Resurrezione, with soloists including Eva Mei and Barbara Frittoli. Sun and Mon: Vladimir Ashkenazy conducts Berlin Radio Symphony Orchestra, with piano soloists Martha Argerich and Yevgeny Kissin (02-7200 3744)

### ■ MADRID

**Teatro Lirico La Zarzuela** Tonight: Spanish National Ballet opens the dance season with a mixed bill, including works by Victoria Eugenia and José Granero. Daily except Mon till Oct 2 (01-429 8225)

### ■ PRAGUE

**CONCERTS**

Charles Mackerras conducts the Prague Symphony Orchestra tonight at the Rudolfinum in works by Dvořák and Suk, with cello soloist Ofra Harnoy. Martin Turnovsky conducts next Tues and Wed in a programme of Dvořák, Mozart and Mendelssohn (02-2489 3352). The Czech Philharmonic opens its new season on Sep 30, when Gerd Albrecht conducts Fibich, Ullmann and Brahms (2489 3352)

**OPERA**

Don Giovanni can be seen at Estates Theatre tonight, next Tues and Fri (02-2421 5001). Czech repertory at the National Theatre includes Rusalka, The Bartered Bride and Dalibor (02-2491 3437). Prague State Opera has a popular repertory including Carmen, Entführung, Les Contes d'Hoffmann and Rigoletto (02-2421 5031)

**ARTS GUIDE**

**Monday:** Berlin, New York and Paris.
**Tuesday:** Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
**Wednesday:** France, Germany, Scandinavia.
**Thursday:** Italy, Spain, Athens, London, Prague.
**Friday:** Exhibitions Guide.

**European Cable and Satellite Business TV**
(Central European Time)

**MONDAY TO FRIDAY**
**NBC/Super Channel:** FT Business Today 1330; FT Business Tonight 1730, 2230

**MONDAY**
**NBC/Super Channel:** FT Reports 1230.

**TUESDAY**
**Euronews:** FT Reports 0745, 1315, 1545, 1815, 2345

**WEDNESDAY**
**NBC/Super Channel:** FT Reports 1230

**FRIDAY**
**NBC/Super Channel:** FT Reports 1230
**Sky News:** FT Reports 0230, 2030

**SUNDAY**
**NBC/Super Channel:** FT Reports 2230
**Sky News:** FT Reports 0430, 1730.

# A deal too far for king of capitalism

BOOK REVIEW

**HANSON: A BIOGRAPHY**
**By Alex Brummer and Roger Cowe**
*Fourth Estate, £20,* 315 pages

The building of a £12bn empire, without a strategy, a sense of direction or even very much financial information, is a feat to which few people can lay claim. James Hanson can, according to Guardian financial journalists Brummer and Cowe.

Knighted by Harold Wilson and given a peerage by Margaret Thatcher, Hanson has been the archetypal conglomerateur: an aggressive predator with an eye for a badly managed target.

Disappointingly, in seeking to reveal both Lord Hanson's strengths and those of his Hanson group, Brummer and Cowe have produced a tale that is neither biography nor corporate history. The drama and personalities behind the bid battles are too often drowned out by numbers, while Lord Hanson's character and his relationship with Gordon White, the group's co-founder, remain under-explored.

The reader is left in little doubt, however, that one of the most surprising things about Lord Hanson is that he put so much distance between himself and his father's Huddersfield haulage business.

The record of his opportunistic ambushes has been hit and miss. He may have swallowed some big fish, in the form of London Brick, SCM and Imperial Group, but he has failed in his efforts to bag easier targets, such as Rolls-Royce Motors and Powell Duffryn.

His means of gathering corporate information have been crude – Lord Hanson is even said to have been attracted to companies by the photographic quality of their annual reports. He has shown no continuing interest in his acquisitions, save returns on capital and cash flow. The only value he has placed on a company is its price on disposal. And he has taken to extremes the concept of letting managers manage – asked recently how his 80,000 employees saw him, he replied: "They don't."

But Lord Hanson has been an excellent administrator, with a fearsome grasp of essentials. He has exploited every accountancy and tax advantage, and always known when to buy and when to sell companies to keep earnings per share and dividend income rising.

In addition, he has cultivated political friends, oiling relationships with generous party political donations. And in everything, the charismatic boss of the group which bears his name has employed his famous charm and temper.

In his 30-year rise from playboy to cut-throat capitalist, Lord Hanson has always been colourful. As an eligible bachelor, he enjoyed romances with Jean Simmons and Audrey Hepburn. In 1965, he teamed up with the flamboyant White to begin their great, transatlantic takeover adventure.

The 1970s was a period of meandering disappointment. But with the 1980s and the arrival of Mrs Thatcher, Lord Hanson was delivered of "a government made for Hanson Trust just as Hanson Trust was made for the government".

The first doubts about Hanson's formula for success set in only after some ugly takeover tussles and the launch of a near-disastrous rights issue.

As the group expanded, the financial information needed to assess its real performance dwindled. A row over the pension fund at newly acquired Imperial Group was followed by a warning from the governor of the Bank of England to take its eyes off Midland Bank. Undaunted, Hanson paid more than £3bn for Consolidated Gold Fields and in 1990 considered buying PowerGen, the electricity generator, by private treaty.

Though Lord Hanson could have then departed with his reputation intact, his ambition to win bids and the respect of the establishment was not yet satisfied. With £7bn in the war chest, the group grabbed a share stake in ICI. But the arch wheeler-dealer, having initially failed to mention the deal to his board, had bitten off more than he could chew.

ICI outmanoeuvred him by targeting the company-financed lifestyle of Lord White, who had always declined to sit on the UK main board, and his anomalous position as the chairman of the group's US business. Racehorses and Beverly Hills mansions grabbed the headlines and Hanson looked like a personal fiefdom. Its boss took consolation from a £42m share dealing profit.

Come the 1990s, the Hanson group was slow to appreciate the new disciplines expected of it in an age of good corporate governance. Efforts by Lord Hanson to restrict shareholders' powers at annual meetings ended in defeat, and in 1992 a former Hanson protégé, Greg Hutchings, chief executive of industrial conglomerate Tomkins, saw off Hanson's bid for food group RHM.

With Lords Hanson and White playing a less prominent role and the next generation of managers, such as David Clarke and Derek Bonham, in place, Hanson has been changing tack, presenting itself as a diverse industrial group dedicated to its core businesses.

The authors inevitably challenge the legacy of Hanson, which they paint as the sort of mega-business that is itself ripe for Hanson takeover treatment. They cite Hanson's already well scrutinised tax and accounting skills as the principal keys to its progress and question claims of consistently excellent shareholder returns. Lords Hanson and White, they conclude, must have done some good but this was outweighed by allegiance to the cult of short-termism.

The alternative view is that Hanson has shaken up many of the complacent, corpulent companies in which it has shown an interest. They bucked up their ideas or they succumbed to a new management which made them efficient and profitable, either way helping UK plc improve its performance.

Whoever is right, few contemporary capitalists have had so much fun. The grammar school boy from Huddersfield, now 72 and due to step down in 1997, reckons no one will realise when he has retired: "I will be gone and nobody will notice." About as likely as Lord Hanson voting Labour.

**Michael Cassell**

Is the flurry of deals in the US good for shareholders and customers, asks **Richard Waters**

# Take your partners in takeover tango

So General Electric is going to buy Time Warner for more than $15bn. That is, if it doesn't sell half of NBC to Time Warner instead – though of course Disney wants to buy the whole television network for $5bn. Whatever.

Then again, GE is also thinking of using that spare $15bn to buy American Express. Or perhaps it will be content with ITT's financial services businesses. Or ITT might hand over these businesses to GE in part exchange for NBC...

These are just some of the rumours that have swirled around Wall Street in the past week (forcing GE, for one, into the unusual position of denying any interest in either Time Warner or American Express). And when the rumour mill is working flat out, it is a sure sign that the US takeover business is back in full swing.

It has been five years since this sort of takeover mania hit the US financial markets. This year, with more than $220bn worth of deals announced in the first eight months, the tally could match even the record $335bn of 1988. Why is it happening? And is it a Good Thing for companies' shareholders, workers and customers?

The pattern of takeover activity provides one answer to the question "why". Nearly two-thirds of the deals consummated since the beginning of last year have come in a handful of industries: pharmaceuticals and healthcare, entertainment and the media, defence, telecommunications and financial services.

There are specific reasons why each of these sectors faces upheaval. The defence industry has been forced to consolidate by a halving of the US defence procurement budget since 1986. The healthcare sector is facing pressure from employers, who are resisting the continuing rise in insurance premiums for their workers. Producers and distributors of television programmes are being drawn together by the promise of new technology and by deregulation.

So is the outburst of multi-billion dollar deals across a number of industries just coincidence? Hardly. There are three underlying reasons why it is happening now.

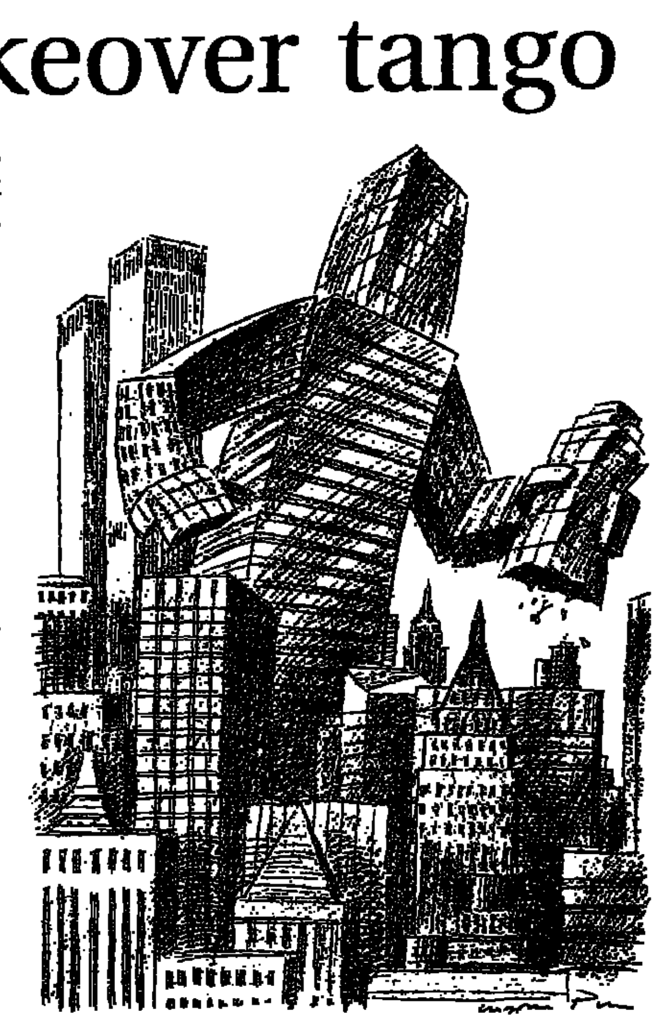
First, all the financial planets are in alignment. Put simply, companies are in a better position to pay for acquisitions than they have been for some time. US corporate debt levels are down after the leveraged 1980s, and cashflow is stronger. According to the Commerce Department's census bureau, the average pre-tax return on equity for US manufacturing companies was an annualised 23 per cent in the second quarter, a level it had not reached since the middle of the 1980s. Also, borrowing is easy and cheap: US bond yields, though up sharply this year, are still as low as at any time in the 1980s, and banks are falling over themselves to lend.

At the same time, the stock market continues to bump along close to its all-time high. This gives companies a valuable takeover currency in the form of their own shares, which can be used in full or part consideration. Last year, just a third of takeover deals were all-cash, half the level of the late 1980s.

The second underlying factor is that, with the recession well behind them, company bosses have more time to consider expansion – and the takeover, once seen as the weapon of the asset stripper, greenmailer or corporate raider, has become respectable again.

Third, the political backdrop remains conducive to mergers and acquisitions. Despite some fears in business circles at the outset of the Clinton administration, the Justice Department has made little attempt to stem the flow of deals. In sectors such as defence and healthcare, mergers which reduce overall industry costs fit neatly with administration policy. And this week, after a long review, the anti-trust authorities cleared the $11.5bn takeover of McCaw Cellular by AT&T, despite claims by rival telecommunication companies that the deal would turn AT&T back into the dominant industry giant it was before the enforced break-up.

But are the latest takeovers beneficial? For many US workers, the answer seems to be no. A large number of recent deals has been justified on the grounds of cost saving. In banking, for instance, the general rule of thumb for an acquirer is to cut the costs of its acquisition by 40 per cent.



Service industries, in particular finance and healthcare, are experiencing some of the biggest job cuts. One effect has been for some companies to make cuts *before* becoming takeover fodder themselves.

For shareholders, this suggests that the picture is a healthy one. When making acquisitions, promises of lower costs are generally easier for managers to fulfil than promises of higher revenues from entering new markets.

"In most cases, these mergers make economic sense. It is good for us in general," says Mr Jose Arau, an investment analyst with the California Public Employees Retirement System (Calpers), which has $27bn invested in US equities.

Like others, he draws a distinction between the 1980s – "the takeover artists, buying companies for a quick buck" – and the deals of the 1990s. Some buyers are paying too much for their acquisitions, says Arau: Calpers voted during the summer against Mellon Bank's takeover of the Dreyfus mutual funds group, although the deal did ultimately succeed last month. But in general he insists the prices being paid are good for the shareholders of acquiring companies.

Companies are not just using economies of scale to justify acquisitions. Many are also arguing that takeovers will enhance their growth prospects, though such claims tend to arouse a degree of scepticism in the market.

In the media and entertainment industries, the flurry of activity is driven in part by the belief that more powerful transmission mechanisms fostered by digital technology will lead to a sharp increase in the services available from television screens. But how much more will consumers be prepared to pay for such services – and will it justify the valuations now being put on media and entertainment properties?

For customers, meanwhile, the takeover wave poses an important long-term question: will the emergence of a smaller number of bigger companies in certain industries lead to higher prices or less choice?

Few of the current mergers or acquisitions are being justified on the grounds that they make the companies involved more competitive in world markets: instead, they are all about increasing market power in the US.

To the extent that unit costs come down (and productivity rises) in industries such as healthcare or banking, it will be good for consumers. But at what point are the benefits of scale outweighed by the oligopolistic tendencies that can result from the dominance of the few? To judge by the Justice Department's lack of intervention so far, it does not yet fear the line is being crossed.

A related concern for consumers and anti-trust authorities arises from the fact that a number of recent deals in the pharmaceuticals and entertainment industries have been "vertical mergers" – that is, between producers and distributors. In the past year, three of the four biggest US drug distribution companies (known as pharmacy benefit managers) have been bought out by producers. The prospective deals between television production companies and broadcast or cable television networks follow a similar pattern.

One explanation is that technology is everywhere changing the relationship between producers and distributors. In financial services, for instance, banks and insurance companies are looking forward to the day when they can scrap many of their branches and rely on the information superhighway to plug them directly into their customers' television sets. Who will then control the distribution mechanism?

In the years ahead the Justice Department will need to review closely the questions about consumer choice raised by such developments. In the meantime, though, its relaxed attitude suggests that the Wall Street takeover party has a while left to run.



# LETTERS TO THE EDITOR

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## Powers for an effective Euro parliament

*From Mr Bryan Cassidy MEP and others.*

Sir, In your excellent editorial, "Agenda for Euro-reform" (September 20), you quite rightly questioned whether the 1996 intergovernmental (Maastricht revision) conference is the right occasion for an increase in the powers of the European parliament. The 1987 Single European Act increased the parliament's powers to amend Commission proposals – a power which on the whole has been sensibly used to improve a host of Single Market Directives.

As you point out, it is too early to say whether the parliament will use its powers of veto under the Maastricht co-decision procedure equally sensibly.

We and some other European MPs have long argued that before the parliament is given more power it must demonstrate that it is using its existing powers constructively. Too many colleagues seem to believe that the parliament should be in alliance with the Commission "against" the Council of Ministers. It should not. Too many colleagues fail to put in an appearance at committees in Brussels or plenaries in Strasbourg. Absenteeism is an embarrassment. Too many colleagues (more than 50 per cent) are new to the parliament, so there is a lack of experience and continuity in the parliament's work. Only in the UK was it the will of the electorate which decided the changes. Elsewhere, it is the people who draw up party lists in smoke-filled rooms.

The debate on Europe has so far been generalised. It is time for specifics. Here are two:

The unelected Commission can adopt or reject the European parliament's amendments. This is a legislative power which it should not have. A second, however, is that the parliament could be more effective if granted the power to dismiss individual Commissioners who do not perform adequately. The present power to dismiss the whole Commission is like the nuclear deterrent – never to be used.

Bryan Cassidy, Giles Chichester, John Corrie, Robert Sturdy, Edward McMillan-Scott, Graham Mather,
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## NGOs: working to meet demands of the market

*From Mr Rick Davies*

Sir, For a newspaper which one expects to be championing the role of markets it is surprising to read Edward Mortimer's article, "NGOs rule OK" (September 21), criticising the role of non-governmental organisations in international affairs on the basis that their role as "do-gooders" is an unelected one.

NGOs get their funds from two sources. First, from public fundraising activities. People in the UK and elsewhere are buying NGO services of their own free will. No need for elections, markets can operate in this area just as they can for other services.

However, like all markets, advertising may not always be honest or accurate. If there is concern about the role of NGOs then this is where investigative attention should focus.

The other source of funds, increasingly so, is from governments, as well as bilateral and multilateral institutions. The international proliferation of NGOs over the last decade or so has given these institutions more and more choice as to which NGOs they fund – which, other things being equal, is surely a good thing.

Again, the main issue to focus on is the extent to which these institutions are buying quality services. Of course, quality is not always a simple matter to assess, with either business products or the services of NGOs.

Capitalism is without doubt an extremely creative process, but one not without its problems. It is perhaps a pleasant paradox that capitalism allows the emergence of organisational forms that can meet a market demand to address some of those problems.

Rick Davies,
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## Not all can have a choice

*From Ms Lydia Nijhof.*

Sir, I enjoyed Giles MacDonogh's article, "Vegetarian food terrorism" (September 17/18).

Not long ago I was introduced to a couple of ladies who promptly informed me they were vegetarians. Their faces conveyed self-righteousness and even seemed to challenge me.

My comment was that they were very lucky to have a choice. Having lived most of my life in what is known as the third world, I ate what was available or what I could afford.

There followed a dead silence and the subject was then dropped!

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## India's economic progress merits support and praise

*From Srichand P Hinduja.*

Sir, Your article "Not nearly radical enough" (September 19) misses the point by a mile. Stefan Wagstyl's conclusion that prime minister Narasimha Rao "seems to have lost his sense of urgency" is unfair and unhelpful: unfair because Mr Rao of all people has been responsible for positive and dramatic changes in the Indian economy; unhelpful because the changes that are being effected need understanding and support, not sly criticism.

One of the main problems that "Commerce India" faces is a dearth of a constant power supply. For example, five years ago in West Bengal it was impossible to count on more than two consecutive hours of electricity, so poor was the system. Now, in Calcutta, if there is a power cut it is met with genuine annoyance rather than simple resignation. This improvement is due to the deregulation that has allowed the privately-controlled R P Goenka company to run the utility properly – a deregulation promulgated by Mr Rao.

Earlier this month we, through our Ashok Leyland subsidiary, together with National Power of the UK, started laying the foundations of a £1.2bn, 1,000 megawatt coal-fired power station in Andhra Pradesh. Again, the support of the prime minister for this – and six other large power plant developments throughout India – is crucial in the country's progress towards a consistent and reliable supply of energy to run the shipyards, steel mills, refineries and fertiliser plants of the present and the future on an economic basis. And it is the country's response to a recent World Bank report that saw Indian industry working at only 50 per cent capacity because of ludicrously poor energy creation and supply.

The political and economic movement away from crushing and overweening state involvement based heavily on the "licence-raj" will take time. I believe that Mr Rao and the people of India should be applauded and encouraged for their progress and not, dare I say, damned with faint praise.

Srichand P Hinduja,
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## The privateer, Enterprise

*From Mr R J Bird.*

Sir, I was fascinated to see Pearle in the US referred to as an "eyewear" manufacturer ("GrandMet acts to cut costs and sells US group for $510m", September 20). Do pirates, gamblers and fops abound in the US, an aftermath perhaps of the aggressive enterprise culture?

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Thursday September 22 1994

# Confusion in Haiti

US troops are on the ground in Haiti, and to the relief of all concerned, so far hardly a shot has been fired in anger. Less welcome is the confusion that exists over the terms of the accord brokered by former President Jimmy Carter which allowed the US forces to enter peacefully in the first place.

Will the Haitian military leaders who have apparently agreed to step down remain in the country? Will the exiled president, Jean-Bertrand Aristide, be able to return? What precise role are the US troops to play? All these questions remain unanswered.

Small wonder that the exiled leader has withheld his endorsement from the US intervention. He needs to be sure that the US does *not abandon what would have* been one of its objectives had it invaded: to purge and professionalise the police and armed forces. Unless the apparatus of intimidation and terror that was responsible for his exile is dismantled, Mr Aristide would not be able to govern even if he could return to his country. Once US troops were back home, he would once more be under threat of a military coup.

The deal brokered by Mr Carter specifies that "certain military officers" would enter "an early and honourable retirement when a general amnesty is voted into law by the Haitian parliament, or October 15 1994, whichever is earlier". For Mr Aristide, this is clearly too vague for comfort.

It was Lt Gen Raoul Cédras and his fellow generals, after all, who reneged on an earlier deal signed under UN auspices that would have returned Mr Aristide to Haiti last October. Until the weekend, his junta was being held responsible for such dreadful human rights abuses that Mr Clinton came to the brink of ordering an invasion.

Now, days later, they are described by members of Mr Carter's negotiating team as honourable men and patriots. US troops are instructed to stand by while policemen attack pro-Aristide demonstrators in Port-au-Prince. Furthermore, the Haitian police is apparently now expected to disarm the Haitian army. And the army – until Sunday night the ostensible target of an American invasion – is guiding the US forces to their positions around the country.

All this may be the consequence of tactical decisions based on the changing circumstances of last weekend. Whether this is the case, or there has been a shift in US strategy, will only be clear over time.

In avoiding an invasion, Mr Clinton may have bought himself relief from his congressional critics. He has not, however, come any closer to resolving the fundamental problems that last week made an invasion seem inevitable. He needs now to hold firm to the objectives he set out in his speech last Thursday: ousting the military junta and securing circumstances that will permit the rapid and secure return to power of Mr Aristide. That will almost certainly mean the US forces taking a more active role than they have done so far.

# Creating profit

The scene is familiar. A chief executive, standing at a podium in a hushed, darkened hall, gestures at the slide projections behind him showing the expected rise in profits from the company's latest takeover. Of course, reorganisation costs will be high, he warns.

The balance sheet in the next set of accounts does indeed show hefty writedowns, but as these costs bypass the profit and loss account, profits leap. In the never-never land of UK accounting, those techniques have given a company active on the acquisition trail an effortlessly rising stream of earnings. Until, as Coloroll and other corporate stars of the 1980s bear witness, reality intrudes. Typically, the acquisitions perform badly and cashflow collapses.

Today's publication of new rules on treatment of acquisitions and mergers by the Accounting Standards Board aims to reduce the room for such creativity in accounting. The rules, which greatly curb the use of provisions and writedowns, among other detailed measures, are likely to be successful in that aim.

In doing so, they will prevent some deals which could have occurred under past rules. Shareholders may well welcome this, as some of the grossest abuses of acquisition accounting have been highly expensive for them. Directors may not, where their pay is linked to earnings growth. It is harder to say, though, whether discouraging corporate enthusiasm for takeovers is economically beneficial or not. The 1980s takeover scramble attracted much opprobrium, and many of those deals have so far proved disappointing. But that is partly due to recession: the longer-term returns remain unclear.

But while the revisions are welcome, it is worth sounding a note of concern. The rules have the virtues of consistency, but may make an unhelpfully crude distinction between capital and current spending.

The problem surfaces most clearly in the proposed new treatment of reorganisation costs, to which leading companies have strongly objected. Such costs, previously treated as part of the capital cost of the deal, must now be treated as an expense. The idea is to remove subjective considerations, such as whether these costs were foreseeable before the deal. Yet such factors are frequently relevant to the valuation of assets: directors assess the value of a target in the light of the "refurbishment" which needs to be done to realise its potential.

Those in pursuit of better accounting standards need to bear in mind how accounts are intended to be used, and by whom. The Accounting Standards Board has sometimes appeared to see itself on a quest for absolute truth. Its new rules are likely to succeed in making company accounts reflect more fairly the full cost of acquisitions. Shareholders and lenders may, however, find it as hard as in the past to use the values in the accounts to estimate future profits.

# Hot air on Africa

In Cape Town in 1960 Harold Macmillan warned white South Africans of the "wind of change" sweeping through Africa. His words captured the mood of the *continent at a critical moment.*

Three disastrous decades later, ravaged by mismanagement and misfortune, Africa is once again at a watershed, beset by problems which can only be overcome with external help. Once again this week a British prime minister, leader of a nation with unrivalled historical and commercial links throughout the continent, stood before the South African parliament, now at last multiracial. He was marvellously placed to launch the fresh international initiative Africa so badly needs. Instead he delivered little more than hot air.

Had he risen to the occasion, John Major would have begun by making clear the depth of Africa's crisis. Instead, he neglected the fact that most Africans are getting poorer, and took comfort from economic and political reforms under way which have yet to launch a sustained recovery.

Having spelt out the gravity of the situation, the prime minister *could then have set out* an agenda for action. Instead of contenting himself with a brief self-congratulatory reference to the Trinidad terms on government-to-government debt, he could have acknowledged the need for radical action in this area, *including relief for* countries such as Uganda which are hobbled with debt service payments to multilateral institutions.

Also on his agenda should have been the need for better co-ordinated aid programmes, with a lower proportion of tied aid, a higher proportion allocated to social services, and new conditionalities including ceilings on military spending. He might also have done more to spell out the circumstances in which humanitarian obligations to avert genocide and relieve starvation must take precedence over state sovereignty, and should not have avoided addressing the damaging dispute between the World Bank and other development agencies over the merits of structural adjustment.

As it was, Mr Major's only substantial proposal was a call for "preventive diplomacy" with regional peacekeeping units, which will be pursued at the UN. As Mr Major said, energies have been consumed in trying to limit trouble after it has started. It would be far better and less costly to preempt it.

Would that Britain were prepared to apply this precept in Nigeria. Africa's most populous nation, and second biggest economy, is heading for disaster. Yet despite close ties, no foreign office minister has visited Nigeria this year, whereas Baroness Chalker has been twice to Rwanda. And while refusing visas to members of the Nigerian regime, the UK has not suspended a contract to equip its army with British tanks.

Mr Macmillan's words resonated around the world and have entered the history books. Mr Major's are unlikely to make even a footnote.

*ECONOMIC VIEWPOINT*

# Pay and jobs in a global economy

**By Samuel Brittan**

If problems could be cured by conferences, unemployment in the older industrialised countries would be well on the way to solution.

*At one recent gathering, organised* by the Kansas Federal Reserve at Jackson Hole, Paul Krugman of Harvard university set out to extract a core consensus on the subject. He starts from the well-known phenomenon that, while US unem*ployment has been rising and falling* with the business cycle, there has been no change of trend since the mid-1970s. European unemployment has, on the other hand, soared and remained at 8 per cent even in buoyant periods when the economic brakes had to be put on to prevent inflation accelerating.

The US has, alas, had its own problem: a widening of pay differentials associated not with any kind of "trickle down" but with an absolute drop in remuneration at the bottom *of the pay scale. The Krugman diagnosis* is that the same process which has expressed itself in high unemployment in Europe has emerged in poverty at work in the US.

The demand for unskilled or less favoured workers has fallen everywhere in relation to better trained or more fortunate workers. In the US the strain has been taken by pay rates. In Europe the welfare state has prevented a similar widening of differentials and, instead, the strain is taken by unemployment.

The resulting non-idyllic nature of the US labour market was vividly described by the noted US specialist Richard Freeman, at another symposium in Salzburg organised by the Egon Sohmen Foundation. He would link it with the fact that the *proportion of young US males in* jail, or on parole or probation, rose from 4 per cent to 11 per cent in only 13 years (1980-93); among young blacks the rise was from 11 per cent to 25 per cent.

In Europe there are two ways in which prevailing institutions can worsen unemployment. There is the effect on incentives. High social security taxes add to the cost of employing workers or subtract from their take-home pay; while "social" benefits provide a floor or reservation wage below which actual wages cannot be dragged without people being better off not working.

The other way concerns not so much the welfare state itself as collectivist institutions which price workers out of jobs. There are, for instance, minimum pay provisions and restrictions on the extent to which employers can differentiate between workers of different age and experience according to the value of their skill.

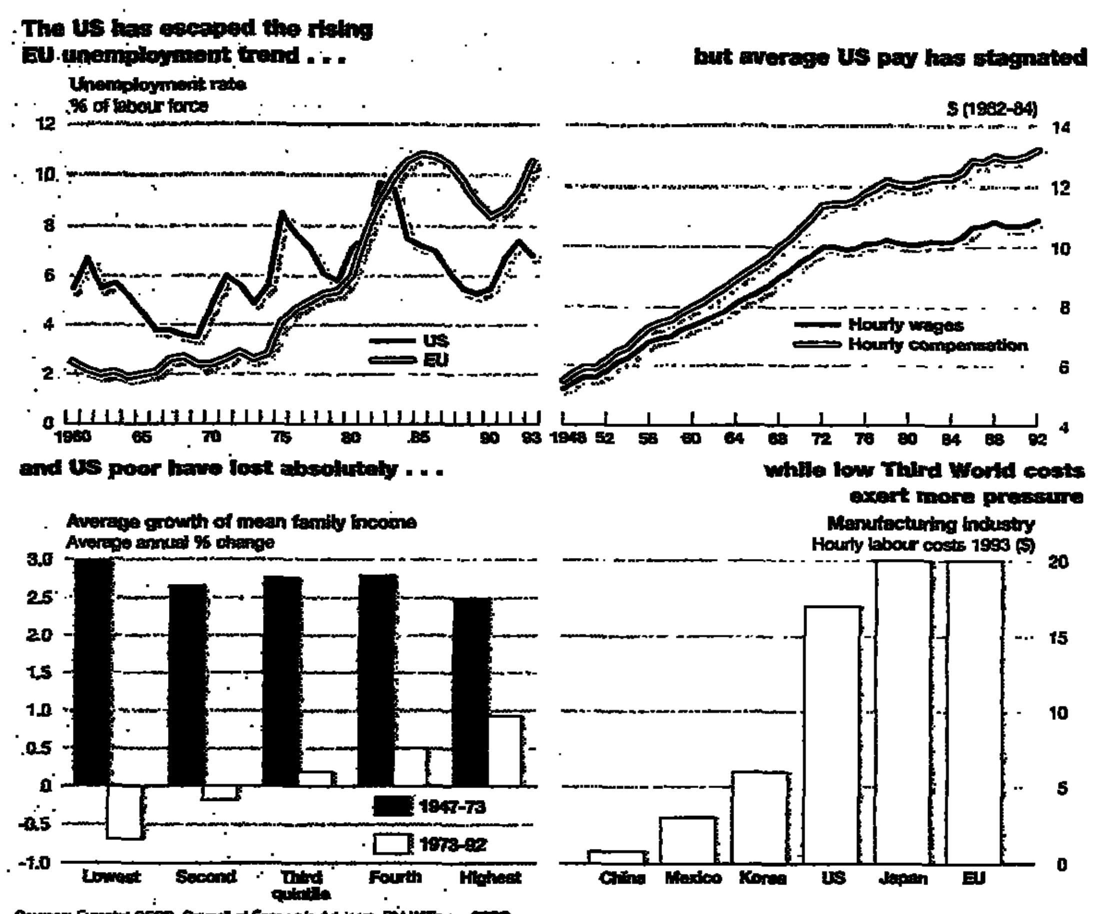
Then there are collective agreements between employers and unions which price the unlucky out of jobs. Indeed it is difficult in Germany for employers and workers to opt out of such agreements even if both are willing to do so in high unemployment regions. There are also restrictions on the hours and flexibility of work which have a similar effect in raising the effective costs of hiring labour.

These two kinds of influences shade into each other. But it does make a difference where one puts the emphasis. If the main part of the problem is the lack of work incentives, then unemployment is to some extent voluntary and the need to reduce the jobless percentage is a matter of easing the tax and transfer burden on those at work, or of reducing the adverse social effects of idleness. If, on the other hand, pricing-out-of-work laws and practices are the main culprits then the unemployed are themselves the principal "outside" victims of the "insiders" who have made the agreements and the rules.

*In continental* Europe *the* emphasis should be at least as much on collectivism as on incentives. I would also put more emphasis than is fashionable among economists on the role played by moralistic or traditional objections to undercutting. *I am sometimes asked what would* happen if another journalist offered to join the staff to write Economic Viewpoint for much less pay. It would be an interesting experiment.

The central theme, however, is that neither the welfare state nor collective procedures for setting pay would on their own have been enough to generate the European unemployment explosion. The welfare state is probably not on average more generous than 20 years ago. Nor are pricing-out-of-work arrangements more strict. The important point has been the *interaction* of European practices with a sharp widening of the pay relativities which would prevail if the labour market were left to itself.

Is it possible to square the circle and combine the benefits of a European welfare state with an American-style flexible labour market?



Sources: Eurostat OECD, Council of Economic Advisers, DM Williams, CEBR

**Can we combine the benefits of a European welfare state with a US-style flexible labour market?**

The upbeat answer is to call for more education and training, so that workers near the bottom of the income scale acquire more of the capacities of the ones at the top.

It is to Krugman's credit that he steers clear of this industrial correctness. He rightly queries how much of the wider spread in equilibrium pay rates is due to formal education. Differentials among people of similar educational qualifications *have increased at least as much as* differentials between people of different qualifications. He also adds that Americans who hold up the superior performance of France and Germany in teaching basic literacy and numeracy fail to notice that the *results have not translated into* lower unemployment.

Shrinking the welfare state is at the other extreme – the hard-nosed approach. This would have many very harsh effects. Not only would benefits be less for those still unemployed; but there would be a shakedown in pay rates for those who have always had jobs near the bottom of the scale.

One approach, which has been powerfully argued by Edmund Phelps of Columbia is that of an employer subsidy to take on unskilled workers. This would be expensive and would have to be very tightly policed to prevent abuse; there would, for instance, have to be a sliding scale for borderline workers. Moreover, because of differing family circumstances the net redistribution of income implicit in such a scheme would be badly targeted.

The still distant ideal would be of a basic income paid to everyone to provide a floor, on top of which market earnings would be added. To say that this would be prohibitively expensive is partly a matter of tax illusion. The real drawbacks are that there could be a large incentive to voluntary unemployment or underemployment for those prepared to make do with the basic income; and much of the benefits would spill over to those higher up the income scale needing it least.

The best present compromise would be a negative income tax which would differ from a basic income in being conditional on work search attempts and in being withdrawn at a much higher rate than the basic rate of income tax.

Indeed an embryonic British system of this kind exists in the form *of family credits for households* with breadwinners on low incomes. This could be built on, for instance by extending it to workers without children and making some of the conditions less irksome. But on neither side of the Atlantic is it easy to *interest people in British experiments*; and there is a preference for *a priori* proposals.

Just for once, however, I want to move off remedies and discuss the diagnosis further. For the main problem of the Krugman consensus is that the reason labour market relativities should have changed so much is left hanging in mid-air.

The conventional explanation – of technology driving out unskilled workers – is unconvincing. For pay differentials within every skill and educational category have risen quite as much as differentials between them. And as Krugman remarks "the time could well come when most tax lawyers are replaced with expert systems, but human beings are still needed for such truly difficult occupations as gardening and house cleaning".

The most controversial explanation centres on competition from low-wage workers in the developing – and more recently the former communist – countries in a liberalised global economy. This was suggested by Douglas McWilliams of the London Centre for Economics and Business Research in a couple of lectures last year. It has since been most fully developed in a book by Adrian Wood, *North South Trade, Employment and Inequality (Clarendon Press, Oxford).*

**Classical economists have always accepted that land as pure space is a suitable object for special taxation**

The respectable form of this thesis must be sharply distinguished from that of populist opponents of the Gatt accord, who do not understand that countries of very different income levels can profitably *trade with each other. If trade is* freed between two groups, North and South, the presumption is that both sides benefit, although not necessarily everyone in both groups. The suggestion, rather, is that in the North unskilled or semi-skilled workers, whose tasks can be equally well carried out by workers elsewhere at much lower wages, will lose out. The problem then becomes one not of "unfair" trade, as the Clinton administration seems to think, but of income distribution within the North.

Many orthodox trade experts reject this diagnosis, although a new analysis by Jeffrey Sachs and H J Shatzin the latest *Brookings Papers* gives it partial support. But the real point is that the globalisation of the world economy (a term to which Krugman strongly objects) could easily throw up such problems in the future even if it has not done so already.

Indeed, it is possible to bypass the complexities of international trade theory by looking at the world as a single economy. In such an economy not only goods but capital is mobile – physical as well as financial capital. It only takes a few years to put up a new plant anywhere where the local political environment is favourable.

In such a world, as Patrick Minford eloquently maintained at Salzburg, pay differences among work*ers of comparable skill will tend to* be reduced, if not eliminated, by owners of capital seeking the best return, and able to introduce best-practice technology wherever they go. This will be so even if labour itself remains relatively immobile between countries or areas. If this were to happen the conditions of the workers of the world would indeed tend to be equalised – at least among those of comparable skills – but by means very different from those that the early socialists envisaged.

What are the main snags in this equalisation scenario? Why did nothing like this happened before 1914 when there was, indeed, a *single* world economy and many such fears were expressed by European and American protectionists? The big difference is that literacy has become very widespread in the third world in the last 40 years – which it was not in Queen Victoria's time.

Looking ahead, the most under-discussed problem is: what will happen to wage rates in the emerging countries? On productivity grounds *they should rise towards* those of the west, thus tackling the problem in the best possible way. This is a reasonable hope for a country like the Czech Republic, where the skills, capital and entrepreneurship for near full employment already exist and where people have agreed to a sharp, but they hope temporary, sacrifice to repair the ravages of totalitarian rule. Matters are very different in China, where there are said to be 200m workers surplus to farm needs who could presumably be enticed into the cities at wage rates only marginally above subsistence.

But the final ray of hope which I would like to point to takes us back to the more prosperous north. If the liberalisation of the world economy is going to make northern countries richer, but make many industrial or clerical workers within them worse off, then who will gain the difference? For a time it may be the owners of capital – a foretaste is visible in the worldwide rise in long-term real interest rates. But capital will be eventually affected by the tendency of funds available for investment to increase to meet new opportunities.

One is then left with the conclusion that much of the gain will go to owners of land, who outside the rural shires are hard to distinguish from owners of capital. Classical *economists, right down to supposedly* extreme free marketeers like Friedrich Hayek, have always accepted that land in the shape of pure space is a suitable object for redistributive taxation. But they despaired about being able to sepa*rate in practice the return from* owning land on the one hand, from the yield to the capital and ingenuity spent on improving it, on the other. The effort to distinguish it may still have to be made.

# *OBSERVER*

## Clubbable and bankable?

■ The Gresham Club, tucked away in Abchurch Lane in the heart of the City, used to be an excellent place for an afternoon nap. But the price of sardines-on-toast was raised to 6d, and things slid relentlessly downhill thereafter.

Today, after a £5m-odd makeover, the seven-story Grade II listed building reopens as the London Capital Club – a very different sort of establishment indeed. It admits women and *foreigners; it allows*, nay encourages, the conduct of business within its hallowed portals; and promises to serve upmarket grub. It even has a boardroom members can hire out – marked Boardroom in big gold letters on the door.

Owned by the affable German-born Dieter Klostermann, it is the first European addition to his network of Asian clubs. The £1,250 "entrance" fee is a snip, compared at least with the affiliated City Club in Tokyo, which will set you back some Y4m (£25,000) to join. So far 500 souls have signed up.

The unstuffy but recognisably "British" club is a formula that has worked well in the Far East. Klostermann's CCA Group is currently pulling in £70m in annual revenues from its 32,000 members.

Klostermann's tilt at Clubland in its own backyard, meanwhile, will probably be admired and scorned in equal measure. What he principally needs is for his joint to be patronised.

## Light reading

■ Calling all insomniacs. Michael Portillo, who as UK employment secretary is widely regarded as the rightwing pretender *to John Major's* crown, is bringing out a booklet of his speeches and interviews.

The aim is to establish clear blue water between the Tories and Labour. As such it must be judged a qualified success, for what the work *principally seems to highlight is a* veritable ocean between Portillo and Major – with the cabinet minister ruling out the single European currency and so on.

We are promised that "these are by no means the last words from Michael Portillo". No wonder John Major prefers a game of cricket in South Africa when his own cabinet is still bowling him such googlies.

## Whipping boy

■ Watch out for John Prescott, who may shortly be enjoying a bit of extra influence in Tony Blair's new-look Labour party.

Derek Foster, the opposition party's current chief whip, has been *in situ* for nine years, during which time he has seen off some tough contenders for his post. But he could finally have met his match in Richard Caborn, one of the pugnacious deputy leader's closest political allies who has emerged as a challenger for what is the party's most important Mr Fixit job.

'Get my trousers dry-cleaned and back by lunchtime'

Caborn, who ran Prescott's successful campaign for the deputy leadership earlier this year, belongs to Labour's "traditionalist" faction. He has made a considerable impression in the past two years as a strong chairman of the Commons trade and industry committee, presiding over inquiries into political hot potatoes such as the coal industry and the future of the Post Office.

Blair, whose Sedgefield constituency is in Foster's neck of the woods, has in effect backed the incumbent by indicating that he does not favour a contest. But, with at least two more runners expected to surface before nominations close next month, the race is shaping into a far more interesting contest than the tepid campaign leading to Blair's runaway victory in July.

## Cloudy

■ A price can be placed on more or less anything in this cost-conscious age. Not to be outdone is the Met Office, which has proudly come up with the fact that its weather *forecasts save the UK nearly £1bn a* year. Chief beneficiaries are apparently transport (£251m) and construction (£107m).

Sadly, the method by which the Met-sponsored survey managed to arrive at such accurate numbers *has not been disclosed. Nor is there* any mention of the cost of inaccurate predictions.

The Met's own service costs £38m per year to run, by the way, which either means it is a bargain – or that officials are massively undercharging for this immensely valuable service.

## Not so capital

■ Why would an outfit as canny as the Royal Bank of Scotland effectively give away its Capital House investment management operation *gratis*, and then shell out £25m for a one-third stake in a new organisation? Out of a sense of relief, it would seem.

The beneficiary of this recent largesse, Newton Management, is one of the best in the business. Its average pension fund client last year earned a total return of 37.4 per cent, 8.2 percentage points above the industry average. Contrast Capital House, whose sole institutional client is the *RBS* pension scheme, and which languishes in the bottom 10 per cent of all pension fund managers on the basis of its performance over the past three years.

In June of last year, trustees to the Charterhouse pension schemes – Charterhouse then still being in the RBS stable before the September sale of 90 per cent of the bank to a Franco-German consortium – quietly sacked Capital House and transferred its loyalties to Mercury Asset Management.

## No idea

■ The effervescent Janet *Street-Porter is leaving the BBC*, where she has been head of independent television production in the entertainment field, to join the Mirror Group, where she will be managing director of a new cable network. "I regret leaving a place where ideas are paramount," she said yesterday. The very idea that ideas may not be paramount at her new employer seems to be one worth pursuing . . .

# FINANCIAL TIMES

Thursday September 22 1994



Forecasts indicate narrow win for coalition

## Rasmussen set to hold on to power in Denmark

By Hugh Carnegy and Hilary Barnes in Copenhagen

Mr Poul Nyrup Rasmussen, Denmark's Social Democratic prime minister, was last night set to remain in office at the head of a minority government despite a strong performance by the right-wing opposition Liberal party in the general election, according to forecasts based on early results.

The computer projections indicated Mr Nyrup Rasmussen's four-party coalition would slip from 89 seats in the 179-seat Folketing (parliament) to 76. But it would still be strong enough to stay in power with the backing of the leftwing Socialist People's party which was predicted to hold 14 seats.

Mr Uffe Ellemann-Jensen's Liberal party was set to achieve the greatest gains. The forecasts indicated it would increase its representation from 29 seats to 42, overtaking the Conservative party as the second biggest party after the Social Democrats.

Mr Nyrup Rasmussen's Social Democrats were seen losing six of the 69 seats they won in the last election in 1990. But the combined strength of the Liberals and Conservatives, and their rightwing ally, the Progress party, still only amounted to about 79 seats, according to the polls, well short of the backing needed to form a government.

The polls predicted the Conservatives and the Progress party would each lose several seats.

A new entry to the Folketing was set to be the Unity List, an extreme leftwing and anti-European Union party, which could win up to six seats.

The Social Democrats came to power, after 10 years in opposition, without an election in January 1993 when a Conservative-led government, headed by Mr Poul Schlüter, resigned in a scandal over government treatment of Tamil refugees. Three small centre parties – the Radical Liberals, the Centre Democrats and the Christian People's party – switched from supporting Mr Schlüter to Mr Nyrup Rasmussen and have stayed loyal to the prime minister in this election.

During the election campaign, Mr Nyrup Rasmussen said he wanted to spend more on Denmark's already generous welfare system – particularly on hospitals, care of the elderly and home help services.

A decade of budgetary restraint under centre-right governments during the 1980s and early 1990s saw Denmark bring its public finances under control.

But the high level of government outlays requires Danes to pay more in taxes – almost 50 per cent of GDP – than any other industrialised country.

## German economic recovery to gather pace, says Bonn

By Andrew Fisher in Frankfurt

German economic growth was forecast yesterday to speed up next year after this year's faster than expected recovery from recession.

The optimistic predictions by the government, just ahead of the October 16 federal elections, coincided with the release of data showing a slower-than-expected growth in August money supply.

Mr Günter Rexrodt, the economics minister, told parliament the government expected the economy to grow by 3 per cent in 1995. For this year he estimated that expansion would reach 2.5 per cent instead of a previously projected 2.25 per cent.

His comments came in a strongly political speech ahead of the election, in which he set the government's economic record against the policies of the Social Democrat opposition. The minister also forecast that unemployment would fall by 300,000 next year.

The Bundesbank announced a much slower annualised growth rate for M3 money supply of 8.2 per cent in August. It reaffirmed its intention to keep a firm hand on monetary policy to secure steady economic growth and lower inflation.

With the economy recovering speedily, the Bundesbank is concerned to prevent consumer prices from accelerating.

Before the Bundesbank's announcement, financial markets were concerned that the expansion rate of money supply might again have exceeded 9 per cent. In July, the annualised growth rate for M3 was 9.8 per cent; in May, it reached 15.4 per cent.

In spite of the success of the central bank in bringing down money supply growth, Mr Johan Wilhelm Gaddum, Bundesbank deputy president, said it was still concerned about inflation.

In August, west German inflation was 3 per cent, compared with the Bundesbank's eventual goal of 2 per cent. Mr Gaddum said the price outlook had improved now that fiscal and wage trends were moving in a more moderate direction. "Yet the progress towards stability still does not mean it is time to sound the all clear."

That reaffirmation of the Bundesbank's anti-inflationary stance, and the emphasis on its continued commitment to money supply targets, has led some economists to conclude that it is unlikely to cut interest rates further. Others, however, expect a further cut after the election. The last reduction was in May, when the discount and Lombard rates were cut to 4.5 per cent and 6 per cent respectively.

Mr Gaddum indicated last week that there was no reason to cut rates now. The May cuts were aimed at shifting funds from short-term deposits, which show up in M3, to longer-term investments, which do not.

## NEC plans Scottish expansion

Continued from Page 1

possible is not available from UK or continental European manufacturers. Mr Andrew Norwood, a semiconductor specialist with the technology consultancy Dataquest, said Japanese companies such as Nikon and Canon were the likeliest candidates.

NEC intends to manufacture the latest generation of memory chips at Livingston and eventually microprocessors and special circuits. It is expanding capacity because of a worldwide shortfall in memory chip production. The factory could begin operating by October 1996.

The decision is expected to lead to further extensive investment in NEC's plant at Ballivor in the Irish Republic which assembles semiconductors from Livingston.

NEC has invested £230m on chip manufacture at Livingston since 1987 and spent £28m to increase production capacity only a few months ago. Mr Toshio Nakamura, managing director of NEC's UK semiconductor operations, said: "Production is currently running at full capacity but we are unable to meet the needs of our European customers and so must expand."

With global production last year valued at $8.1bn, NEC is Japan's largest semiconductor manufacturer. It chose Scotland for several reasons: it balanced its production operations in the US and Japan; NEC in the UK is its most productive plant; European demand is high; the workforce is well educated and there are ample water supplies.

## Fayeds fail to clear names over takeover battle

By Robert Rice, Legal Correspondent

The Fayed brothers yesterday failed in a final effort to clear their names over their 1985 takeover of House of Fraser, the UK department store group.

The European Court of Human Rights rejected claims that their rights had been violated by the system of company investigations in the UK. Mr Mohamed, Mr Ali and Mr Salah al-Fayed had challenged a UK Department of Trade and Industry report that branded their conduct during the takeover battle as dishonest. They said they had not been been able to contest the report's damning conclusions.

Mr Mohamed al-Fayed, chairman of Harrods, the exclusive London department store, remained adamant last night that UK practice was "dictatorial and unacceptable".

He said: "I'm disappointed, but this is the way you show people that you don't just sit and take insults just like that. If you can't get justice in this country, you have to go somewhere."

The government welcomed the decision. A DTI official said it was glad the court had ruled there had been no violation of the European Convention on Human Rights.

Yesterday's judgment was a final footnote to the long-running dispute between the Fayeds and Lonrho, the international trading conglomerate defeated by the brothers in its own bid to take over House of Fraser in 1985.

Lonrho declined to comment on the Strasbourg decision. Mr Colin Matthews, group chief accountant, said Mr Tiny Rowland, Lonrho joint chairman, and Mr Fayed had settled their dispute at the end of last year and the matter was history.

The DTI inspectors' report on the House of Fraser takeover published in March 1990 concluded that the Fayeds had dishonestly misrepresented their origins, wealth, business interests and resources before the takeover.

They had also knowingly submitted false evidence to the DTI inspectors during their investigation. The Fayeds have always disputed these conclusions.

The brothers claimed that in the eyes of the world the report had the force of a judgment delivered after a trial at which they had been convicted. But criminal charges were never brought.

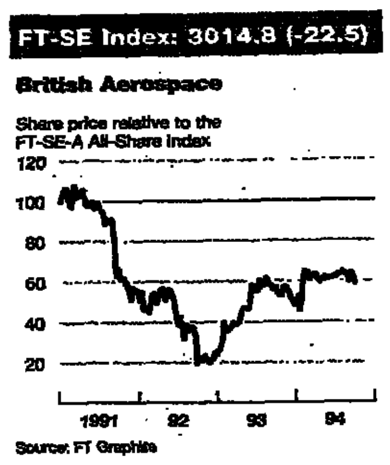
Lord Lester QC, representing the Fayeds, said the court had given a "restrictive and technical interpretation" of the convention's "due process", or fair trial, provision. The judgment underlined the need for a Bill of Rights in the UK with a due process clause in it, he said.

THE LEX COLUMN

## Angst over Aerospace

British Aerospace always finds a way of disappointing the market. Yesterday the problem was cash flow. During the half year to end-June, there was a net cash outflow of £202m, despite the fact that BAe sold Rover for £800m during the period. There were reasonable explanations: bank guarantees to associate Hutchison Telecom were replaced by a £220m loan; and £250m of cash relating to work done in the half year actually arrived at the end of 1993. But the fact is that most analysts were surprised by the outflow, so some mark-down in the shares was in order. Yesterday's drop of over 5 per cent, though, looks excessive: the sharpest profit downgrades are hard to square with the board's decision to raise dividends by 21 per cent.

FT-SE Index: 3014.8 (-22.5)



Source: FT Graphite

Moreover, the medium-term outlook is encouraging. Profits at BAe's defence business will be spurred on by lower costs and higher volumes. This week's promise by King Fahd to Mr John Major, the prime minister, that Saudi Arabia would turn to the UK for "all our defence needs" could also point to further lucrative contracts from that source.

Meanwhile, Airbus's profits are taking off and there may even be good news on turboprops, a source of much red ink. Negotiations to merge the operations of several European suppliers and cut capacity are making progress. If the right deal can be concluded, BAe's losses from the business – estimated to be around £150m annually – could shrink rapidly. BAe has caused investors much anxiety in recent years, so yesterday's jitters are hardly surprising. But the underlying business is in relatively good shape.

### UK accounting

Today's new standard on acquisition accounting will do away with one of the most egregious abuses in UK financial reporting, namely the freedom which acquisitive companies have had to offset many of the costs associated with takeovers against reserves. This practice distorted profit and loss accounts, giving managements the scope to present financial performance after a takeover in an unrealistically rosy light. An extreme case such as Coloroll, the home furnishings group which collapsed in 1990 after years of apparently profitable expansion, demonstrated the extent to which reported earnings could become divorced from true economic performance. If the worst abuses belong to another era, the continuing scope to flatter post-acquisition profits by writing down stocks, or setting up provisions against future losses or reorganisation costs, has cast doubt about the quality of profits generated by companies making takeovers. The latest measure will benefit users of accounts by forcing companies to present a clearer picture of the economics of acquisitions.

Reported earnings will drop as a result of the new standard's requirement that provisions be taken against profits, not reserves. But the underlying cash flow will not change, however a transaction is accounted for, and companies should not be deterred from doing deals that make strategic sense. It will be no bad thing if, by contrast, the new rules deter companies from making acquisitions which do not make strategic sense.

### Germany

Yesterday's German money supply figures appeared to offer some comfort to the diminishing band of economists hoping for one more official rate cut. But though the deceleration in M3 growth was eye-catching, it owed much to special factors like the outflow of funds abroad and the tendency among investors to move out along the yield curve. The underlying picture is very much what one would expect of an economy in recovery. Private sector borrowing continues to grow. That gives the Bundesbank no incentive at all to cut rates.

Indeed nervousness in the bond markets mean the bank cannot afford to take risks. The authorities have already betrayed a degree of concern about the backlog of funding with their decision to borrow at floating rates this week. While the looming election adds to the uncertainty, it will be followed by a fresh wage round. Last year the unions were modest in their demands in the erroneous belief that the economy would remain in deep recession. This year they may be more aggressive, especially given the sharp improvement in corporate earnings.

Stability is unlikely finally to return to the bond market until investors are convinced that policy is credible. The Bundesbank has even less room to overlook the growth in credit demand while inflation remains close to 3 per cent. Yesterday's money supply figures may have afforded some relief, but the relevant question remains how long the bank will wait before raising rates rather than whether it will allow one last cut.

### AWA

Arjo Wiggins Appleton's French minority shareholders clearly rule the roost at the Franco-British paper company. The succession of Anglo-American resignations among board directors and line managers in recent few years indicates how disagreeable the AWA nest has become. The question is whether, now they have have gained control, the financial weakness of St Louis and Worms & Cie is holding back AWA's industrial progress.

At first glance, yesterday's announcement that AWA would not make a full bid for Scott's S.D. Warren subsidiary supports that thesis. AWA has made no secret of its intention to add to the highly successful North American Appleton businesses. Much of Warren's operations are in the high margin fine paper that AWA professes to like. The price tag – unlikely to be more than $1.5bn – was within AWA's range. Debt could have been easily increased and the remaining cash raised through a rights issue. The concern is that such a strategy was blocked by the French who did not have the necessary cash but did not want to dilute their shareholding.

However, the considerations behind the decision were probably more industrial than financial. Two of Warren's mills fit perfectly. But two others manufacture low-margin paper grades of little interest to AWA. Although the French shareholders' financial weakness does not appear to have held back AWA this time, it continues to be a cause for concern.

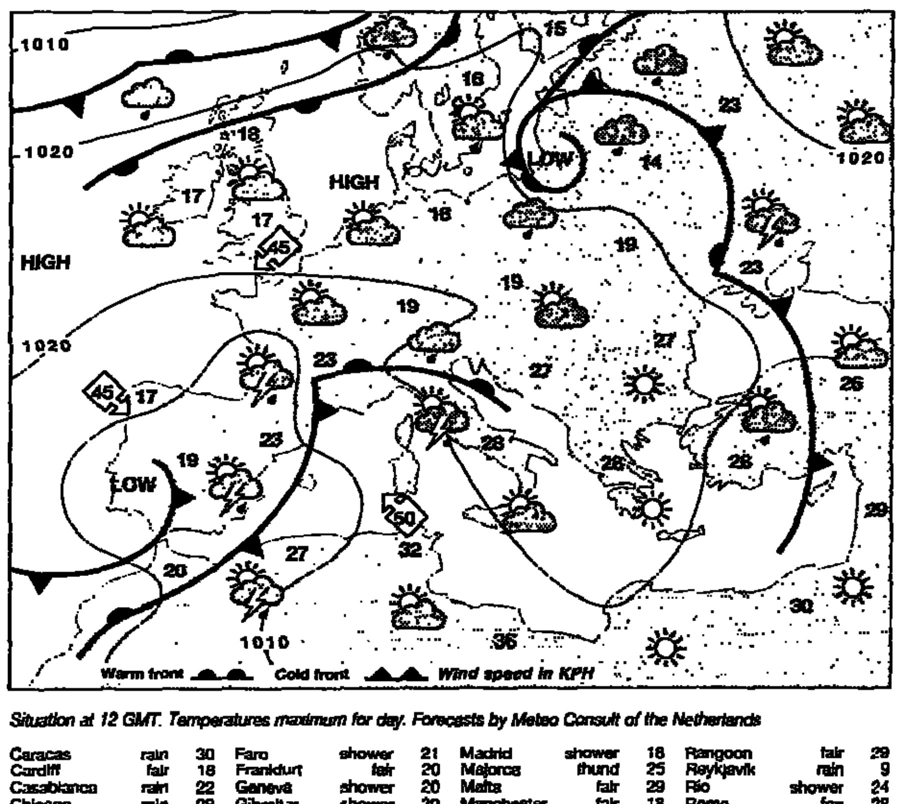
FT WEATHER GUIDE

### Europe today

Much of north-west Europe will have ample sunshine owing to a belt of high pressure stretching from the Atlantic to the North Sea. The UK, the Benelux, Germany and most of France will have sunny periods although southern France will have showers, some with thunder. Thunder showers are also expected in eastern Spain and the Balearics. The northern coast of Spain will be rainy and other regions will be partly cloudy. The Alps and northern Italy will have a lot of rain but the rest of the Mediterranean will be mainly sunny. Periods of rain will linger in western Russia and north-west Scandinavia and there will be a mixture of sun and cloud in other parts of Europe.

### Five-day forecast

Thunder showers will remain in the north-west Mediterranean on Friday and Saturday, but most of north-west Europe will be sunny. Northern Italy and the Alps will still have a lot of rain but it will become drier from Saturday. More showers will develop in France and the Benelux. The Mediterranean will remain sunny, but thunder storms will occur in Russia.




Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

**TODAY'S TEMPERATURES**

| | | Maximum Celsius |
|---|---|---|
| Abu Dhabi | sun | 39 |
| Accra | fair | 31 |
| Algiers | thund | 27 |
| Amsterdam | sun | 18 |
| Athens | sun | 29 |
| Atlanta | fair | 24 |
| B. Aires | cloudy | 24 |
| B.ham | fair | 18 |
| Bangkok | shower | 33 |
| Barcelona | thund | 23 |
| Beijing | fair | 25 |
| Belfast | fair | 17 |
| Belgrade | sun | 26 |
| Berlin | cloudy | 16 |
| Bermuda | fair | 29 |
| Bogota | fair | 19 |
| Bombay | fair | 30 |
| Brussels | sun | 19 |
| Budapest | fair | 23 |
| C.hagen | sun | 16 |
| Cairo | fair | 31 |
| Cape Town | fair | 18 |
| Caracas | rain | 30 |
| Cardiff | fair | 18 |
| Casablanca | rain | 22 |
| Chicago | rain | 23 |
| Cologne | fair | 20 |
| Dakar | fair | 31 |
| Dallas | fair | 27 |
| Delhi | fair | 26 |
| Dubai | sun | 38 |
| Dublin | fair | 17 |
| Dubrovnik | sun | 26 |
| Edinburgh | fair | 18 |
| Faro | shower | 21 |
| Frankfurt | fair | 20 |
| Geneva | shower | 20 |
| Gibraltar | shower | 20 |
| Glasgow | fair | 18 |
| Hamburg | fair | 16 |
| Helsinki | fair | 15 |
| Hong Kong | rain | 29 |
| Honolulu | fair | 31 |
| Istanbul | sun | 27 |
| Jakarta | fair | 32 |
| Jersey | fair | 18 |
| Karachi | fair | 31 |
| Kuwait | fair | 38 |
| L. Angeles | fair | 25 |
| Las Palmas | fair | 26 |
| Lima | cloudy | 20 |
| Lisbon | shower | 21 |
| London | fair | 20 |
| Lux.bourg | fair | 20 |
| Lyon | fair | 23 |
| Madeira | fair | 25 |
| Madrid | shower | 18 |
| Majorca | thund | 25 |
| Malta | fair | 29 |
| Manchester | fair | 18 |
| Manila | rain | 31 |
| Melbourne | shower | 14 |
| Mexico City | fair | 19 |
| Miami | shower | 32 |
| Milan | thund | 20 |
| Montreal | fair | 20 |
| Moscow | shower | 25 |
| Munich | fair | 21 |
| Nairobi | fair | 26 |
| Naples | sun | 30 |
| Nassau | shower | 32 |
| New York | cloudy | 23 |
| Nice | thund | 22 |
| Nicosia | sun | 34 |
| Oslo | fair | 18 |
| Paris | fair | 23 |
| Perth | fair | 22 |
| Prague | fair | 18 |
| Rangoon | fair | 29 |
| Reykjavik | rain | 9 |
| Rio | shower | 24 |
| Rome | fair | 28 |
| S. Frsco | fair | 25 |
| Seoul | cloudy | 23 |
| Singapore | fair | 32 |
| Stockholm | sun | 17 |
| Strasbourg | fair | 23 |
| Sydney | cloudy | 24 |
| Tangier | thund | 21 |
| Tel Aviv | fair | 30 |
| Tokyo | shower | 25 |
| Toronto | shower | 20 |
| Vancouver | cloudy | 20 |
| Venice | fair | 22 |
| Vienna | fair | 22 |
| Warsaw | cloudy | 16 |
| Washington | shower | 25 |
| Wellington | shower | 10 |
| Winnipeg | shower | 8 |
| Zurich | rain | 21 |

FINANCIAL TIMES

# COMPANIES & MARKETS

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Thursday September 22 1994



## IN BRIEF

### Lehman barely breaks even

Lehman Brothers barely broke even in the three months to the end of August, managing a return on capital of just 1.6 per cent, according to the first results from the US investment bank since being spun off from American Express.

The latest figures come a month ahead of other US investment banks' results and point to generally weak profits and more cost-cutting on Wall Street. Page 16

**Canal Plus cautious at full-year**
Shares in Canal Plus, the French media and pay-TV company, fell sharply yesterday, following a fall in first half profits and a warning on full year results. Page 16

**Imi profits fall in first half**
Difficult financial markets and reduced commission on investment activities took their toll on first-half profits at Istituto Mobiliare Italiano, the Italian banking group partly privatised earlier this year. Page 16

**Eli Lilly expects to beat targets**
Eli Lilly, the US drugs group, yesterday indicated its third-quarter earnings would be ahead of most analysts' expectations, due largely to stronger-than-expected sales of Prozac, the anti-depressant which is its biggest-selling product. Page 18

**Mexican merger in doubt**
Grupo Financiero Serfin and Grupo Financiero Inverlat, Mexico's third- and fourth-largest financial groups, are on the verge of calling off their proposed merger after failing to reach agreement on the valuation of the two institutions. Page 18

**Japan's brokers lower forecasts**
Sluggish trading volume on the Tokyo stock market has led to Japan's "big four" brokers – Nomura, Daiwa, Nikko and Yamaichi – and 10 second-tier brokers revising downwards their interim earnings forecasts for the six months to September. Page 19

**Passenger loads help Qantas turn around**
Qantas, the government-controlled Australian airline, unveiled much improved full-year profits of A$155.9m (US$116m), against a loss last time, thanks to increased passenger loads. Page 19

**Laporte gains with better trading**
Laporte, the UK speciality chemicals group that acquired Evode last January, increased pre-tax profits by 14 per cent at the interim. Mr Ken Minton, chief executive, said that the group had experienced "modest" improvements in trading conditions in many of its major markets. Page 21

**Arjo allays fears of large rights issue**
Shares in Arjo Wiggins Appleton rose by 12p to 263p yesterday after the Anglo-French paper group denied that it would bid for SD Warren, owner of four big US paper mills. Page 21

**Aerostructures shares dive**
Shares in Aerostructures Hamble, the former British Aerospace aircraft components subsidiary nose-dived yesterday after a trading statement warned of difficulties with several contracts. Page 23

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### Chief price changes yesterday

**FRANKFURT (DM)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Degussa | 475 | + | 6 |
| Porsche | 720 | + | 15 |
| **Falls** | | | |
| Asko | 831 | – | 39 |
| Karstadt | 603.5 | – | 14.5 |
| Kaufhof | 501 | – | 11 |
| PWA | 238.5 | – | 9.5 |

**NEW YORK ($)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Banc Wiese | 23⅝ | + | 3⅛ |
| **Falls** | | | |
| Crpillar | 54⅜ | – | ⅝ |
| IBM | 69⅞ | – | ¼ |
| Lotus Dev | 38¼ | – | 2¼ |
| Maybelline | 18½ | – | 6⅛ |
| Utd Tech | 61⅜ | – | 1⅜ |

**PARIS (FFr)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Imetal | 579 | + | 19 |
| **Falls** | | | |
| Accor | 619 | – | 13 |
| Canal Plus | 874 | – | 25 |
| Cred Nat | 381 | – | 15 |
| Erid B Say | 750 | – | 59 |
| Legris | 352 | – | 20 |

**TOKYO (Yen)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Calsonic | 710 | + | 27 |
| Gunze | 710 | + | 20 |
| Kurita Wtr | 2590 | + | 90 |
| NOK Corp | 805 | + | 36 |
| Nip Soda | 510 | + | 21 |
| **Falls** | | | |
| Daimaru Inc | 739 | – | 16 |

New York prices at 12.30pm.

**LONDON (Pence)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Arcolectric A | 73 | + | 5 |
| Arjo Wiggins | 263 | + | 12 |
| CentreGold | 88 | + | 4 |
| Gt Universal Str | 537 | + | 12 |
| Hewitt Whitlog | 283 | + | 7 |
| London Elect | 726 | + | 21 |
| Northern Elect | 813 | + | 19 |
| Thorpe (FW) | 220 | + | 7 |
| Tilbury Dglas | 563 | + | 15 |
| **Falls** | | | |
| Aero Hamble | 73 | – | 50 |
| Brit Aerospace | 445 | – | 26 |
| Cable & Wireless | 393 | – | 11 |
| Dalgety | 445 | – | 13 |
| Photo-Me Intl | 235 | – | 20 |
| Proteus Intl | 143 | – | 23 |
| Ramco Energy | 226 | – | 18 |
| Sindall (Wm) | 88 | – | 17 |
| Steel Burrill | 118 | – | 8 |
| Tibbett Britten | 768 | – | 42 |
| Waverley Mining | 84 | – | 5 |

**Christopher Parkes** sees RWE Energie join a corporate stampede to the infobahn

# Jostling for position in German telecoms race

Convinced that they have heard the bell for the last lap, front-runners among Germany's private telecommunications companies are dashing to qualify for entry to Europe's "information superhighway" stakes.

The mixed bunch of power suppliers, engineers and bankers have put on a spurt since Mr *Wolfgang Bötsch, post office minister*, announced 10 days ago that he had changed his mind and was now "inclined" to allow free competition in the German telecoms network from January 1, 1998 *rather than the end of the decade.*

RWE Energie attempted to nose ahead yesterday with a premature announcement that it was in "promising" negotiations *to take over Preussag's communications business*, Mobilfunk.

But as Preussag was quick to point out, RWE was only one of several domestic and international network operators discussing a possible tie-up. Mobilfunk, which runs the Europe-wide AssCarfi/Talkline mobile telephone service, is expected to show its first profit this year on sales of DM400m ($258m).

RWE's announcement was a response to Veba's tactical stroke earlier this week when the energy-based conglomerate revealed that its network, of 5,600km of copper cable and optical links over its 2,000km of electricity distribution lines, was to be augmented by access to the federal railways' vast trackside and signalling system.

At the same time, Veba agreed *to invest $140m in the Iridium* communications satellite consortium in return for exclusive rights to market its services in much of northern and western Europe.

*As none of Iridium's planned 66* satellites has been launched yet, and the deal with Deutsche Bundesbahn still has to be awarded the necessary operating licence, Veba's announcement might be a little premature.

Nevertheless, the events sparked by Mr Bötsch's statement on deregulation highlight both the speed at which Germany's private sector communications industry is developing and the direction it is taking.

The industry started to take shape in 1990, when Mannesmann, heading a consortium including Britain's Cable & Wireless and Pacific Telesis of the US, was awarded a licence to operate the country's first private mobile telephone service, D2, in competition with Deutsche Telekom's D1.

Critics looked askance as Mannesmann, better known for its "old technology" products – steel pipes, car components and industrial plant – moved uncertainly into unknown territory. Yet *more questions were asked as* set-up costs mounted and delays set in.

However, since the first handsets were delivered, albeit late, in mid-1992, estimations have rocketed.

**Critics looked askance as Mannesmann, known for 'old technology' products, moved into unknown territory**

Mannesmann's communications business, which contributed just 3 per cent to group sales last year, is now forecast to yield up to half group profits in 1997.

In the interim, Mannesmann has been deepening its involvement in the sector and positioning itself to take advantage of future deregulation.

Its newly-established Eurokom subsidiary, which bundles together an assortment of domestic and foreign stakes, owns half of a new joint venture with RWE and Deutsche Bank in which the three concerns have pooled their internal services. They are now preparing to open their lines to corporate clients for data, voice and image transmission – in a domestic segment estimated to be *worth DM20bn a year – and* waiting to offer services up to a wider international public.

RWE is involved in several other ventures specialising in corporate services. It made an important advance in May, when, as a leader of a data transmission consortium it beat the Viag group in a bid for a licence allowing the first private sector challenge to Telekom's Modacom.

Until yesterday, when it revealed its hand in its negotiations with Preussag, its expectations of achieving DM500m sales in five years had been conditioned by its highly-conservative assessments of prospects in the corporate sector.

With its internal network, the second most extensive after Deutsche Bahn's, it has now emerged as a clear contender for a place among the leaders.

Mr Ulrich Hartmann, chairman of Veba, outlined his claim to a pole position in April when he declared telecoms was to be the group's fifth leg, augmenting its solid, slow-growing activities such as power, oil, chemicals and trading.

The group started laying optical fibres along the power lines of its PreussenElektra subsidiary in the late 1980s, but the pace has increased steadily in the past two *years with an accumulation of* stakes which have taken it into the mobile phone business in Germany and France, corporate networks and services and Swiss cable television.

Veba has now revealed the scale of its ambition. According to Mr Hartmann, the group will invest DM6bn in telecoms over the next decade. Turnover from the sector will grow from a mere DM140m this year to DM8bn by 2003.

Deutsche Telekom, facing private competitors who claim they can win 40 per cent of its business, can be counted on to continue appealing for more time to brace itself for the onslaught, but Mr Bötsch has made his preferences plain.

The sooner the nascent private telecoms industry is given scope to grow and mature on its home ground, the greater its chances of building up muscle and speed to compete effectively in the fast-track global market.

# Return to profit at Eni opens options on state sale

By Robert Graham in Rome

A strong return to profit by Eni, the Italian state oil concern, has opened the way for the Berlusconi government to look afresh on the various options for privatisation.

Mr Franco Bernabe, Eni chief executive, told parliament yesterday the group was heading for a L2,000bn ($1.28bn) net profit in 1994 with the bulk of costly restructuring of loss-making sectors such as chemicals nearly complete.

He said this improved performance allowed the government to opt for two separate paths in privatisation:

● A company could be formed grouping all the interests with those still controlled by Eni; or

● The group could be split into three – energy, chemicals and other activities – that would be owned directly by the state.

The government has been sitting on earlier proposals put forward by Mr Bernabe which were in line with guidelines laid down by the previous Amato and Ciampi governments.

These envisaged the creation of a "super-Agip" centred on the core of the group. Agip, the producer of oil and gas.

Based on its annual turnover of L50,000bn, Eni is the sixth largest oil group in the world.

Mr Bernabe appears determined to force the government into deciding a clear policy for the group. However, the government is far from united with the neo-fascist MSI/National Alliance resisting large-scale privatisation.

On Eni's performance, the improved profit projection against a mere L419m in 1993 was attributed in part to extraordinary income from continuing divestments.

Through August, Eni had raised L1,776bn from 60 new *asset sales. The burden on the* consolidated balance sheet continues to come, at least for this year, from the chemicals side which lost L2,600bn in 1993 and which accounts for only 15 per cent of turnover.

Mr Bernabe said that if Eni's energy interests were hived off, it could remain in charge of running the privatisation of the other activities. But he clearly outlined his preference by pointing to the creation of strong state-dominated energy holdings with private stakes like Spain's creation of Repsol from INH.

Underlying pre-tax profits treble to £90m at UK defence and commercial aircraft group

# Cash flows out of BAe despite Rover disposal

By Bernard Gray in London

Underlying profits at British Aerospace trebled from £29m to £90m ($141m) in the six months to June 30, but BAe shares fell 26p to 445p when the market learned that the company saw a first-half cash outflow despite the £800m sale of Rover to BMW. Operating profits in defence of £221m, against £230m, were offset by an increased loss of £79m (£75m) on commercial aircraft.

The sale of Rover generated an exceptional profit of £299m. However, exceptional losses of £16m on adjustment to the sale of *BAe's corporate jet division* to Raytheon, £30m on the early repayment of expensive debt, and £14m to top up the value of lease provisions cut the total exceptional profit to £239m.

Total pre-tax profits were £329m, and the interim dividend was lifted from 3.3p to 4p.

BAe's borrowings rose as working capital requirements increased and it converted £220m of guarantees to associate company Hutchison Telecom into a direct loan. Operating cash outflow was £115m in the first half.

Mr Richard Lapthorne, BAe's finance director, said the underlying trend in cash flow was healthy. "While the erratic timing of large cash payments can distort the figures," he added, "over time, cash flow from defence businesses will more than offset any losses in commercial aircraft."

Losses at the turbo-prop aircraft division, based in Prestwick, Scotland were particularly heavy. BAe's chief executive, Mr Dick Evans, said conditions in the regional aircraft market remained extremely difficult.

He said BAe had almost halved its cost base in these areas to remain competitive, and that losses at the RJ regional jet business were much lower, while work on Airbus moved further into profit in the first half. BAe is continuing to negotiate with potential joint venture partners over the future of the regional jet and turboprop businesses.

The order book in the central defence business is now £8.5bn, only slightly lower than the record figure of £8.8bn last year. With substantial additional work on the final production phase of the Eurofighter 2000 due to be agreed in a year's time, one analyst said: "BAe has the strongest defence order book of any company in the world." Production of the 48 Tornado aircraft for Saudi Arabia has already started and first deliveries are due at the end of 1995. Prospects for Hawk advanced trainer/light fighter sales are also good.

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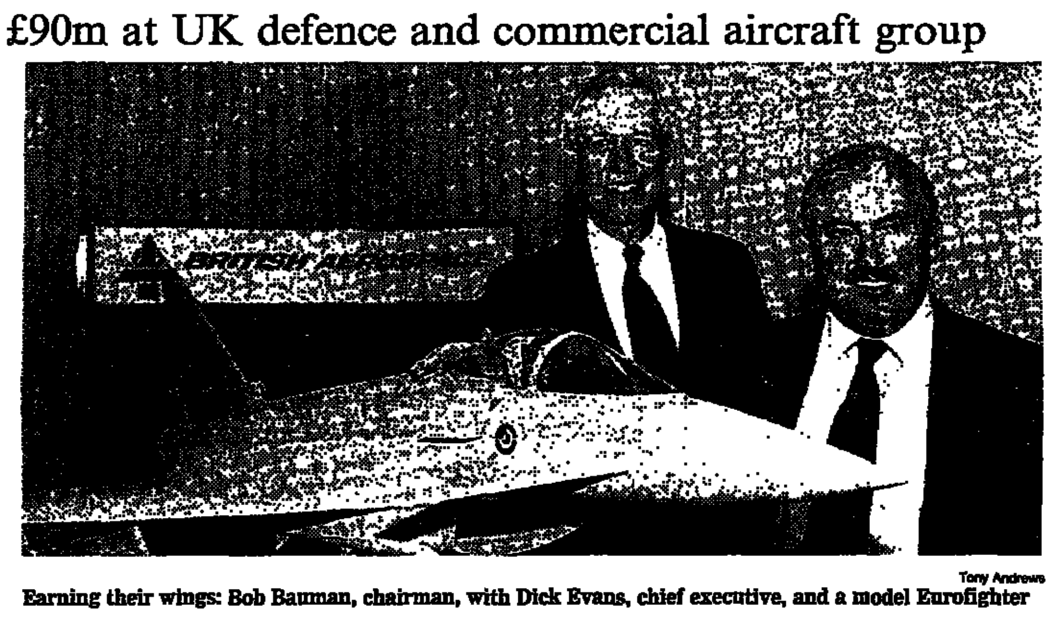


Tony Andrews

Earning their wings: Bob Bauman, chairman, with Dick Evans, chief executive, and a model Eurofighter

**David Buchan** finds that the bad times are not over yet

# Crédit Lyonnais to swallow another dose of provisions

There is still light at the end of the tunnel for Crédit Lyonnais, Mr Jean Peyrelevade believes, but the tunnel is proving longer than he thought when he took over as chairman of the state-controlled bank nearly a year ago.

Crédit Lyonnais will today announce a hefty first-half net loss after provisions. Last year the bank reported a full year loss *of FFr6.9bn ($1.3bn).*

In the first six months of 1994, Crédit Lyonnais suffered from a decline in demand for loans by France's cash-rich companies and saw profits fall from trading on depressed capital markets. Crédit Lyonnais still reckons it must maintain a high level of provisions all this year to clean up its messy past.

One result is an inevitable delay to the further capital increase that Crédit Lyonnais needs. It already received FFr4.9bn in July from the state, the state-owned Thomson electronics group and the Caisse des Dépôts bank.

Committed to public spending rigour, the Balladur government has no means to buttress the bank's capital any further, and *has told Crédit Lyonnais that it* can tap the stock market any time before the full privatisation expected in the late 1990s. But the bank realises it has no chance of attracting investors until next year, when it hopes for strong expansion in the French economy and a turnaround in its own finances.

Provisions against bad risks *and loans are the main millstone* around Crédit Lyonnais' neck.

Last year, Mr Peyrelevade set aside a total of FFr17.8bn, just over half of which was considered normal provisions on "current" banking business. The rest was "exceptional" measures to compensate for precautions which the previous regime of Mr Jean-Yves Haberer should have *taken, particularly in non-traditional* banking activities such as investments in industry, property development and in cinema.

Both categories of provision will remain high this year. The bank says this is mainly because branch managers have decided to take advantage of the "big sweep-out" to make a clean breast of all past problems.

The French Treasury has not been totally enthusiastic about continued high provisions, wiping out hope of any dividend for the state and highlighting ques*tions over how it let Crédit Lyon*nais get into such bad shape originally. But after a parliamentary inquiry's critical conclusions about their competence, or lack of it, the Treasury has been ill-placed to oppose Mr Peyrelevade's stringency.

**The Balladur government has no means to buttress the bank's capital any further**

This stringency has uncovered further problems, and need for provisions, in the group's Althus and Société de Banque Occidentale (SDBO) subsidiaries. It was the boast of the high-rolling Mr Jean-Francois Henin that when he ran Althus from 1990-93 he multiplied its balance sheet many times but never increased its staff. The upshot was a chaotic back office, out of which dubious dossiers are emerging.

SDBO was the vehicle for loans to Mr Bernard Tapie. After the fuss it made mortgaging and eventually seizing the politician-tycoon's valuables, Crédit Lyonnais has discovered that his art and furniture are worth perhaps a tenth of the FFr350m it was counting on.

The one shaft of light penetrating the tunnel is that growth in the group's operating costs and depreciation which was 4.1 per cent last year has been kept close to zero this year. Mr Peyrelevade froze his own salary and those of his top two dozen lieutenants, *and is cutting 1,100 banking jobs* in France and a further 900 in Europe over the current year. This is part of the two-pronged strategy to:

● Improve profitability and efficiency in the core banking business. Measures already announced include closure of some UK retail branches, to focus more on corporate banking and market trading there, and new centralised management of European banking and foreign exchange trading world-wide.

● Sell FFr20bn worth of non-core industrial participations in 1994-95. So far FFr6bn worth of assets have been sold including stakes in the Fnac record and book chain, the UAF life insurance company, the Essilor spectacle lens company, and the TF1 television station. Crédit Lyonnais is said to want to sell its 10 per cent stake in the Méridien hotel chain to Forte, the UK group which is buying control of Méridien from Air France.

Even though the eventual plan is for Crédit Lyonnais to keep some FFr30bn worth of industrial holdings, for the moment "anything that is outside banking is, in principle, sellable", says one bank executive.

# Lehman Brothers barely breaks even in quarter

By Richard Waters in New York

Lehman Brothers barely broke even in the three months to the end of August, managing a return on capital of just 1.6 per cent, according to the first results from the US investment bank since being spun off from American Express.

The latest figures come a month ahead of other US investment banks' results and point to generally weak profits and more cost-cutting on Wall Street.

The Lehman figures reflect a fall-off in activity in many areas of the financial markets due to the volatility of recent months, according to Mr Richard Fuld, chairman and chief executive. Uncertainties about interest rates and concerns about inflation "continued to dampen the activities of both issuers [of securities] and investors," he said.

Lehman is also labouring with a higher cost base than many of its rivals, and continued yesterday to point to cost-cutting as a way of improving profitability. Since the beginning of the year, staff numbers have fallen by about 775, to some 8,625, with 300 of the jobs cuts coming in recent days.

During the latest quarter, revenues were lower across the board compared with the third quarter a year ago, which ended on September 30 1993. Revenues from principal trading fell 24 per cent to $335m, while investment banking revenues slipped 8 per cent to $172m, net interest and dividend income fell 29 per cent to $83m and commission income was down 10 per cent at $113m.

If current market conditions continue to the end of the year, bonuses paid to Lehman employees are expected on average to be 30-40 per cent lower than in 1993.

Overall, the bank reported post-tax income of $22m on revenues after interest costs of $719m, compared with $112m on revenues of $893m earned on the same businesses the year before. Earnings per share were 10 cents, compared with 96 cents on all Lehman businesses including some later sold the year before.

# Imi profits fall to L208bn in first half

By Andrew Hill in Milan

**Difficult financial markets and reduced commission on investment activities took their toll on first-half profits at Istituto Mobiliare Italiano, the Italian banking group partly privatised earlier this year.**

Consolidated profit fell to L208.1bn ($133m) in the six months to June 30, after tax and provisions of L327bn, against L283bn in what Imi described yesterday as an "exceptionally favourable" first half last year. The group pointed out, however, that profit was in line with the second half of 1993. Imi's board indicated yesterday that the company was likely to pay an unchanged dividend of L400 per share for 1994.

In January, the Italian treasury sold just over half of its 60 per cent stake in Imi in one of the first large public offers by the government, and now owns 28 per cent. Mr Lamberto Dini, the treasury minister, indicated in June that once the nine-month freeze on selling more shares was over – in November – the treasury would consider reducing its holding still further.

Imi is studying the possibilities, which could include a direct offer to foreign investors, or a reinforced "hard core" of large Italian banks, such as Cariplo, San Paolo di Torino and Monte dei Paschi di Siena, which are Imi's largest shareholders after the treasury. At the moment, however, it looks as though a combination of less favourable market conditions, and reluctance to undermine other privatisation issues will delay the sale of a second tranche.

Imi's main activities are medium and long-term lending, personal financial services and investment banking. During the first half the group said that it had generated a "significant flow of commission" from its corporate finance and share placement activities.

During the first half the group's credits rose to L50,783bn, up 1.2 per cent compared with the end of last year.

# Canal Plus shares fall sharply after warning on second half

By John Ridding in Paris

Shares in Canal Plus, the French media and pay-TV company, fell sharply yesterday, losing FFr25 to FFr874, following a fall in first-half profits and a warning on full-year results.

Mr Claude Ravilly, finance director, told a meeting of financial analysts that full-year net profits would be in the region of FFr900m ($167.91m) compared with FFr1.2bn last year and original estimates of FFr1bn for 1994.

His comments followed the announcement on Tuesday night of first-half results, which showed a 25.6 per cent decline to FFr503m. Revenues rose from FFr4.28bn to FFr4.58bn.

According to Canal Plus, the decline in profits reflected losses from associated companies, a swing from net interest income to net interest costs arising from depressed financial markets, and the impact of promotional campaigns.

It said first-half trends in revenues, operating income and net income are likely to remain in the second half. Net income will continue to be affected by the cost of new projects, notably in Germany, where a major promotional campaign, unforeseen at the start of the year, is under way.

According to Canal Plus, net income will also be affected if financial markets maintain their current direction. A supplementary charge of about FFr100m is also expected to be taken, partly to cover a rise in costs at the company's Spanish channel, Canal Plus Espagne.

● **Pinault-Printemps-Redoute**, the recently merged French stores group, said first-half net profit rose to FFr407m compared with FFr189m a year earlier, agencies report from Paris.

The company added that it would sell 1.28m shares next week in a public sale to part-finance the acquisition of a stake in FNAC, the French specialist retailer. Pinault has had the shares on its books as treasury stock.

# Radio Marconi ahead midway

By Peter Wise in Lisbon

Companhia Portuguesa Radio Marconi, Portugal's intercontinental telecommunications operator, yesterday announced a 15.2 per cent rise in net consolidated profits to Es2.2bn ($14m) for the first half of 1994, due mainly to a 16 per cent increase in traffic.

Operating profits, buoyed by cost containment, rose 123.8 per cent to Es8.3bn. However, Marconi registered a financial loss of Es1.4bn compared with a profit of Es533m in the first half of 1993.

The company attributed this to the negative results of telecommunication holdings, particularly Telecomunicaçoes Móvels Nacionais, a mobile telephone operator of which Marconi owns 33 per cent.

TMN's sales increased 48 per cent to Es9.3bn in the first half and the five-year-old company is forecast to show a profit next year.

Marconi, which is 51 per cent state-owned, is expected to be brought into Portugal Telecom, the state telecommunications group, before 25 to 30 per cent of PT is privatised nextyear.

# First Boston hits hostile territory

## Nicholas Denton reports on the US bank's unusual takeover role

CS First Boston has broken new ground for US investment banks by acting as sole adviser to Browning-Ferris Industries on its £364m ($564m) hostile bid for UK waste company Attwoods. BFI, itself a US company, may be a long-standing international client, but CSFB's role is an unusual one.

UK merchant banks, like their counterparts elsewhere, have tended to dominate public deals in their home market. The Attwoods takeover battle is one of the first, and certainly the largest, on which a US investment bank has been lead adviser to a UK aggressor.

"You no longer need a City firm like Warburgs or Schroders to go hostile," said one international mergers and acquisitions investment banker.

The large "bulge bracket" US firms have already moved to the top of the league tables for cross-border mergers and acquisitions in Europe. Morgan Stanley acted as financial adviser on 13 deals worth a total of £4.95bn in the first half of this year, according to the magazine Acquisitions Monthly. The figures were for a short period and influenced by one particularly large deal but Morgan Stanley topped the table with Goldman Sachs, another US firm, placed a close second.

But US firms now claim they are encroaching not just in the pan-European market, but also on the home territory of their local competitors. "I feel that we have already met the cross-border challenge," says Mr John Studzinski, head of European M&A for Morgan Stanley. "Now we are competing head-to-head domestically too."

Morgan Stanley points to its mandate on a purely UK transaction, advising the UK-based international marketing group Inchcape in its bid for insurance broker Hogg Group earlier this year, as a landmark deal.

Goldman Sachs has been established in London since 1980 and as far back as 1987 advised British Caledonian on its sale to British Airways. But it too has made recent advances. Goldman this year won the mandate to be exclusive adviser to the National Grid Company in direct competition with UK banks. A spokesman said it had completed three deals worth more than $1bn (£600m) each this year where the transaction was "UK-oriented" and the firm's position compared "more than favourably" with any of its UK competitors.

Large US firms have also pioneered many techniques of modern investment banking, from valuation models to having specialised groups of advisers for particular industries. This advantage has been eroded as UK firms have adopted similar techniques.

US firms with a long presence in London appear to be gaining the confidence of the market. One rival concedes: "Goldman Sachs are part of the furniture now." Hiring of UK bankers has also helped US firms. A BFI executive at CSFB's offices for the takeover bid said: "Looking around they seem to have a lot of British."

One natural advantage of UK firms is a history of contacts with UK institutional investors that can make or break a share issue. However, the US firms claim to have caught up. "Our access to UK investors is as good as anyone's," says Mr Steven Berger, head of European investment banking for Lehman Brothers.

Some UK firms accept that the US banks are making advances, but claim not to be worried. "This has been going on for a long time," says the head of one merchant bank. "We work alongside US firms and get on fine." Even CSFB says the Attwoods bid is not a revolution, as it looks at all advisory work in an international context.

Other UK firms say that US banks are making exaggerated claims. "The list is actually pretty thin," says an investment banker at a UK firm. Indeed, only one US firm – Goldman – figures in the top 10 M&A advisers on purely UK deals announced in the first half of 1994.

British critics point to some reverses. Goldman conducted its first initial public offering (IPO) for a UK company when it helped float the Nottingham Group earlier this year. The company's share price slipped well below the issue price when trading began.

US firms' advisory work in the UK market is also criticised by rivals. One UK firm quoted an example of when it had to step in and bail out a bidder which had relied exclusively on a US investment bank's advice.

Yet US investment bankers are still convinced that UK banks are giving ground, but through "erosion" of market share rather than a dramatic breakthrough.

This could spur larger UK firms to expand in other European countries. A Schroders executive points out that it has more domestic business in Italy than any US firm.

# Cockerill Sambre's bid for Eko Stahl confirmed

By Judy Dempsey in Berlin

Cockerill Sambre, Belgium's biggest steelmaker, yesterday confirmed it had put in a bid for Eko Stahl, eastern Germany's loss-making steel mill.

However, the Treuhand privatisation agency, which is selling Eko Stahl, one of the few large industrial enterprises still on the Treuhand's books, declined to disclose the bidding price or confirm that Cockerill was the only party interested in acquiring Eko Stahl.

Cockerill made its offer after carrying out several studies at Eko Stahl, located in the eastern state of Brandenburg, and following the collapse last May of a bid by Riva, the Italian private steel company. The Belgian group had originally considered joining an international consortium, including Thyssen, the biggest German steelmaker and Usinor-Sacilor, the largest French producer, to prepare a feasibility study on Eko Stahl's prospects.

A consortium led by Thyssen and Preussag had earlier proposed buying 50 per cent of Eko Stahl's cold rolling mill, closing down the hot blast furnace over a period of three years, and providing 1,000 jobs through its subsidiaries.

However, the Treuhand wants to retain the mill's manufacturing capacity largely for political and social reasons since the 50,000 inhabitants of Eisenhüttenstadt are dependent on the plant.

# Growth forecast reduced for UK company earnings

By Terry Byland in London

Kleinwort Benson Securities, the UK merchant banking and securities house, has sharply reduced its forecast for UK company earnings growth next year.

It says that City analysts are suffering from "money illusion" in their profit forecasts.

The firm is cutting 1995 earnings forecasts from 10 per cent to 8 per cent.

This is the lowest target in the market and barely half the consensus among UK market analysts.

Kleinwort is trimming forecasts for this year for UK non-financial company profits from 17 per cent to 15 per cent.

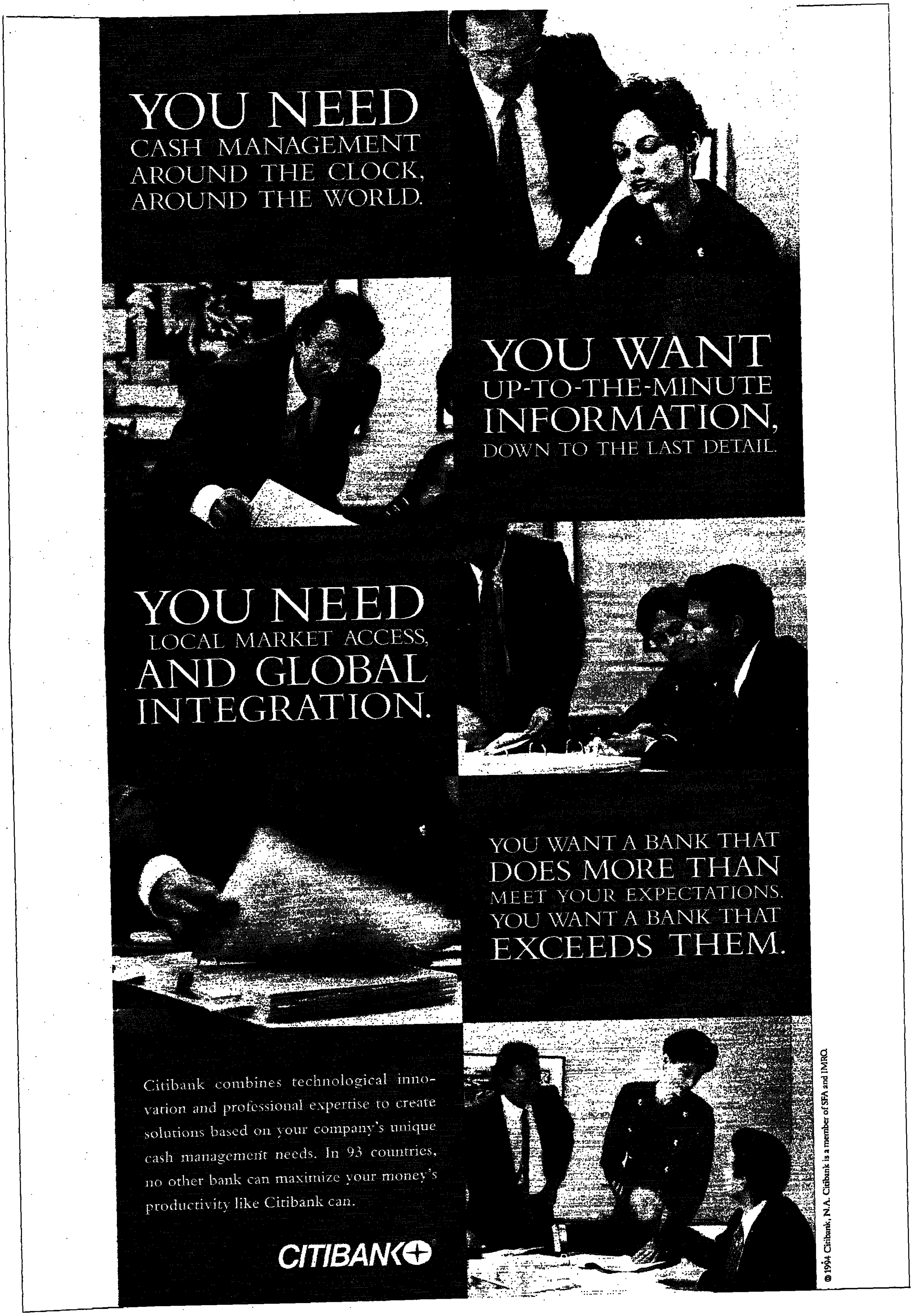
Mr Edmond Warner of Kleinwort points to the turn in the interest rate cycle and to the likely impact on British companies of cost pressures and pricing difficulties.

Disappointment in company earnings could impact across the range of a UK stock market which has focused on profits and dividends as the driving force now that the interest rate outlook has become uncertain.

Mr Warner expects profit forecasts by City analysts to turn increasingly towards downgrading of expectations following an interim reporting season which has been less robust than hoped.

Mr Warner is urging clients to target the UK bond markets for investment ahead of UK equities.

He says that domestic conditions favour a rally in gilts.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# Picco quits unexpectedly as chairman at Eridania

By Andrew Hill in Milan

Mr Renato Picco yesterday unexpectedly resigned as chairman of Eridania Béghin-Say, the French agro-industrial subsidiary of Italy's Montedison, prompting a FFr59 fall in the company's shares which closed at FFr750.

Mr Picco, 60, was one of the last top managers appointed by the old regime at Montedison and Ferruzzi, its holding company, under Mr Raul Gardini, who committed suicide last year.

New directors took over at Ferruzzi-Montedison in the middle of 1993, after the full extent of the group's debts became clear, but Mr Picco decided to stay on at Eridania to work with the new directors as Montedison restructured.

Eridania yesterday reported a consolidated net profit of FFr623m ($117m) in the first half of 1994 on sales of FFr24.8bn. In the first half of 1993, Eridania, which is quoted on the Paris bourse, reported profits of FFr614m and sales of FFr24.75bn, but it said comparison was misleading because of changes in the companies consolidated.

Net operating profit was down nearly 6 per cent to FFr1.87bn from FFr1.99bn, mainly because the important sugar operations were unable to repeat what Eridania described as exceptional results in the first half of 1993, and the increased contribution of other sectors was not enough to offset this.

The company said it expected full-year results to be broadly comparable with 1993, when net profits reached FFr1.34bn on turnover of FFr50.9bn.

Mr Picco will be replaced by Mr Stefano Meloni, 46, director general of Ferruzzi-Montedison responsible for finance. Mr Picco was praised by the board for his "absolute independence and managerial rectitude" which had protected Eridania from the main repercussions of the crisis which hit the rest of the Ferruzzi-Montedison group last year.

# Eli Lilly expects to beat targets

By Richard Waters in New York

Eli Lilly, the US drugs group, yesterday indicated its third-quarter earnings would be ahead of most analysts' expectations, due largely to stronger-than-expected sales of Prozac, the anti-depressant which is its biggest-selling product.

Mr Sidney Taurel, executive vice-president, pointed to "solid worldwide growth in new prescriptions" and a build-up of inventory by wholesalers in the US ahead of a price rise which took effect yesterday. The company said earnings per share for the three months to the end of September would reach $1.08-$1.12, after a 14 cents a share charge for the takeover of Sphinx Pharmaceutical.

Lilly revised estimates of earnings per share for the year to $4.65-$4.85, up from $4.55-$4.65. This is before special charges, including those for the acquisition of Sphinx and the planned $4bn takeover of PCS, a drug distributor.

The company's share price rose $1¼ on the news, to $59, but later fell back to $58⅝. Lilly's shares slid by nearly 20 per cent in July on fears that it was paying too much for PCS, but it bounced back on takeover speculation to close to its high for the year.

# Horsham to take energy unit public in $150m issue

By Robert Gibbens in Montreal

**Horsham, the Toronto-based holding company controlled by financier Mr Peter Munk, plans to take its wholly-owned Clark USA Oil Refining Unit public with a US$150m offer of 7.5m new common shares at $20 each.**

**Horsham will retain two-thirds of the Clark shares and may buy 10 per cent of the new issue. The offer is being underwritten by a syndicate led by Kidder Peabody, Goldman Sachs, Merrill Lynch, Morgan Stanley and BT Securities.**

**Clark is also offering C$100m (US$72.4m) of unsecured senior notes through a syndicate led by Kidder Peabody, BT Securities, Goldman Sachs and Morgan Stanley.**

**Proceeds of both offerings will be used to finance part of Clark's acquisition of Chevron's Port Arthur refinery and to retire half of Clark's zero-coupon notes maturing in 2000.**

**Mr Munk holds control of American Barrick Resources, the world's third-largest gold producer, and Trizec, a North American property group, through Horsham.**

# CANTV on tip of a debt iceberg

## The Venezuelan telecoms group is rescheduling, writes Joseph Mann

Compania Anonima Telefonos de Venezuela (CANTV), Venezuela's national telecommunications company that owes more to foreign creditors than any other private concern, has rescheduled its foreign debts due to Venezuela's foreign exchange controls imposed in June.

Mr Bruce Haddad, CANTV president, said his company began negotiating what he called a refinancing programme after it missed a payment on an international loan in August. Mr Haddad did not give a precise figure for CANTV's external debt, but said it was "hundreds of millions of dollars".

CANTV, privatised in 1991 by an international consortium headed by GTE of the US, had external obligations in bonds, notes, commercial loans, trade credits and others, Mr Haddad said. Over 40 financial institutions from the US, Europe and Japan are involved.

Mr Haddad said exchange controls announced by the government on June 27 had hurt the company's capital investment programme and made rescheduling a difficult proposition.

"We have no doubt whatsoever about CANTV's ability and willingness to service its debt on time," said one international banker who works with the company. "But the exchange control bureaucracy is excruciatingly slow and entirely beyond the company's control."

Bankers here said they knew of no large sums disbursed by the government to cover private sector foreign debt. However, the government is aware of the problem and reportedly allotted $400m for private external debt. But it is not clear how soon the government will begin supplying the funds.

The public sector is apparently servicing its own debt normally.

However, CANTV's dilemma is only the tip of the iceberg. Strict foreign exchange controls and slow processing of applications for US dollars to service external debt has hurt many Venezuelan companies, including local subsidiaries of multinational concerns.

CANTV was planning a $250m-$300m eurobond issue in June, but cancelled the offer because of exchange controls.

"We have a huge problem here," commented one international banker based in Caracas. "Our clients cannot obtain foreign exchange to keep their debt payments current, and we have hundreds of millions of dollars in overdue loans."

Mr Julio Sosa, minister of finance, said Venezuela's private sector external debt stood at about $5bn, but the total could be higher.

**International bankers say they have no doubt about CANTV's ability and willingness to service its debt on time**

A large devaluation of Venezuela's currency and high inflation forced CANTV to cut back its capital investment programme this year. Mr Haddad said the company had reduced this year's projected capital spending of $705m by $125m, and next year's planned capital outlays of about $700m would be cut "by over 50 per cent".

Quarterly rate increases for CANTV's services this year have been below inflation, and cannot come close to offsetting the higher local currency costs of imported capital goods caused by devaluation of the Venezuelan bolivar this year. The government questioned CANTV's most recent request for rate increases, and set up a special commission to study the matter.

Regular rate increases to compensate for inflation are stipulated in the concession agreement signed by CANTV and the last government.

Inflation in Venezuela last year was 46 per cent. The government is predicting 65 per cent inflation this year, but private sector estimates suggest it may reach 84 per cent, even with widespread price controls in place.

The consortium that manages CANTV, Venworld Telecom, was carrying out a $6bn capital spending programme for Venezuelan telecommunications when unfavourable economic circumstances forced it to make reductions in capital and operating expenditures.

Venworld is the largest foreign investor and the largest private investor in Venezuela. The group, which paid $1.89bn in 1991 for 40 per cent of the government's shares in CANTV and operating control of the company, includes GTE, with 51 per cent of the consortium; Telefonica Internacional de Espana; La Electricidad de Caracas, Venezuela's largest private power company; CIMA, the Banco Mercantil group and AT&T, the US telecoms group.

# Serfin and Inverlat merger put in doubt

By Damian Fraser in Mexico City

Grupo Financiero Serfin and Grupo Financiero Inverlat, Mexico's third- and fourth-largest financial groups, are on the verge of calling off their proposed merger after failing to reach agreement on the valuation of the two institutions.

The merger was proposed in June, and would, according to some measures, have made the combined group Mexico's second-largest financial institution. It would have given Serfin control over Inverlat, which controls the Comermex bank and was seen as the weaker of the two groups.

Mr Roberto Aguirre, of Serfin, said a formal decision would be taken at the group's board meeting tomorrow. But he was not optimistic: "There have been a lot of problems in the negotiations and the merger will probably not go ahead."

Reports in the Mexican press indicate that Serfin has decided not to proceed with the transaction.

Mr Aguirre said the main stumbling block was over the terms of the share swap that would have lead to the fusion of the two companies. Serfin wanted to exchange 3.7 shares of Inverlat for every one of its shares, while Inverlat had proposed a ratio of 2.5, according to Infosel, a financial news agency.

As negotiations over the transaction proceeded, both organisations concluded that the process of merging the banks would have been more complex and expensive than thought, and could have taken years to complete.

Serfin and Inverlat had hoped a merger would help them compete more effectively with the market leaders, Banacci and Bancomer, by enabling them to benefit from economies of scale in administration and systems.

"Under this situation, the probabilities of merging are very low," a Serfin executive told Reforma newspaper yesterday. "On a scale of zero to hundred, the probabilities of a merger are zero."

Serfin was quoted as saying the disagreement was not over the value of the two groups' assets or liabilities, but on the intrinsic worth of the different institutions.

# Borden agrees to meet Kazarian for bid talks

By Richard Tomkins in New York

Borden, the troubled US food and wallpaper group that last week agreed to a $2bn takeover offer from Kohlberg Kravis Roberts, the Wall Street investment firm, yesterday reluctantly agreed to meet another would-be suitor in the shape of Mr Paul Kazarian, owner of a Rhode Island investment firm called Japonica Partners.

Neither party would comment on the agenda for the meeting, but it is believed that Mr Kazarian, a former chairman and chief executive of Sunbeam-Oster, the US consumer products group, has repeatedly expressed an interest in bidding for Borden since the food group put itself on the block earlier this year, only to have his approaches rebuffed.

Borden's decision to agree to a meeting with Mr Kazarian comes amid mounting evidence that some Borden shareholders are deeply unhappy about the KKR deal and may revolt against it.

Yesterday, the International Brotherhood of Teamsters said it was advising the pension funds of its 150 affiliates, which between them hold at least 247,000 of Borden's 141.5m shares, not to tender their shares to KKR.

It also said it was meeting other institutional investors to discuss its concerns about the KKR offer.

Under the complex deal announced last week, KKR offered to exchange half its 35 per cent stake in RJR Nabisco, the US food and tobacco group, for 80 per cent of Borden's stock. RJR Nabisco would buy the remaining 20 per cent of Borden's shares, using newly issued RJR stock, and would also take an option to buy a 10 per cent stake in Borden from KKR.

Borden shareholders are irked by several aspects of the deal.

If they reject the offer, KKR still gets a 19.9 per cent stake in Borden at a bargain price of $11 a share – Borden's shares were at $13¾ yesterday, down $⅛ – and will receive a $50m fee from Borden. Conversely, if the deal succeeds, Borden will have to pay KKR a $50m "advisory" fee.

Mr William Patterson, director of the office of corporate affairs at the International Brotherhood of Teamsters, said the bottom line was that Borden shareholders were having their stock purchased at a time when it was at its lowest point with "tremendous" upside, and in return they were receiving stock in RJR Nabsico which had substantial downside risks because of its potential tobacco liabilities.

"We are equally alarmed that this seems to be an extremely self-serving transaction from the point of view of KKR in the sense that they are paid a very large fee whether or not the deal happens," he said.

Few analysts believe Japonica's Mr Kazarian has access to the financial resources necessary to launch a serious bid for Borden.

However, Mr Patterson said Borden's shareholders should wait and see whether other, better offers come along before accepting the KKR deal.

"Why the rush?" he said. "The company's not going to implode overnight."

However, Mr Arthur Cecil, a research analyst with the T. Rowe Price mutual fund management group, a Borden shareholder, said the fact that investors were venting their frustration with the KKR deal was not necessarily an indicator that anything better will emerge.

"If I were a betting man, I would say that the KKR deal is pretty well done," he said.

# SFE offers two for price of one

On Monday, investors will not just be able buy and sell shares in Western Mining Corporation, one of Australia's biggest resources groups – they will also be able to trade futures contracts covering the same underlying stock.

As with all futures contracts, this will mean that exposure to the shares can be "leveraged" so that a relatively small movement in Western's share price is magnified into a much larger movement in the stock future.

Moreover, complex trading strategies will become possible – at least, in theory. For example, WMC, which is still a fairly good proxy for the gold price, could be bet against the Australian stock market.

The WMC futures contract is one of four new contracts being offered by the Sydney Futures Exchange from September 26. The other companies involved are MIM Holdings, the Queensland-based metals company; BTR Nylex, the diversified conglomerate controlled by Britain's BTR group; and Westpac, one of the big four Australian banks.

These four new contracts will augment the three existing individual share futures contracts – covering Broken Hill Proprietary, National Australia Bank and News Corporation – which started to trade in May. Another three contracts are due to be unveiled before the end of the year.

But the SFE's ambitions do not stop there. The 10 contracts introduced in 1994 all require settlement in cash, not scrip. In other words, investors are not required to deliver the underlying physical stock.

The SFE has made clear that it would like to introduce "deliverable" share futures contracts as well, and is talking to the Australian Securities Commission about this. The regulator would need to give permission before such a product could be launched.

Secondly, while Mr Les Hosking, chief executive of the SFE, sees the number of Australian share futures contracts being pegged at 10 for the foreseeable future, he holds out the prospect of introducing SFE-traded contracts for companies whose physical stocks change hands on overseas exchanges. "Imagine an IBM or General Motors contract," he says.

**DERIVATIVES**

"Imagine" may be the key word. All this is highly ambitious and totally uncharted territory. Sydney is the only market in the world where futures contracts are available on individual shares in any meaningful fashion. In the US, such contracts are specifically prohibited, in part because of price manipulation concerns.

Even in Sydney, the SFE's go-go approach has run into some stumbling blocks. For a start, in spite of the publicity surrounding these new derivative instruments, trading volumes have not been large. During the first three months, the BHP/NAB/News share futures traded a total of 14,046 contracts.

"I'm patient about these things – development is very dependent on the cash market," says Mr Hosking, pointing out that the stock market itself has been sluggish in recent months.

Nevertheless, even the SFE concedes that many institutional investors are reluctant to get involved with the new contracts until liquidity has developed.

The SFE's second problem is a continuing turf battle with the Australian Stock Exchange over who should run this type of derivatives market. No sooner had the SFE got permission for its three initial contracts, for example, than the ASX's derivatives department countered with a new type of options contract.

This was called the "Low Exercise Price Option" (or LEPO), and was simply a very deep "in-the-money" call option, whose exercise price could be as little as one cent.

Accordingly, LEPOs were designed to trade in line with the physical stock, but – thanks to the options market's margin system – the full price would only be payable on expiry. The ASX's LEPOs covered five stocks – including the three targeted by the SFE.

Since then, the ASX has come out with a more sophisticated rival offering: share ratios. These, it claims, are an entirely new equity-based derivative, which allow investors to gain exposure to a share based on how it performs relative to the stock market, not on whether it goes up and down in price.

However, by giving investors a chance to punt on whether BHP, say, betters the stock market generally, the share ratio contract will compete directly with one of the main uses for share futures contract.

The problem for the ASX, however, is Australia's Corporations Law. This currently imposes a fairly rigid divide between "futures" and "securities", making these products the concerns of the SFE and ASX respectively.

Earlier this month, the attorney-general proffered a helping hand when he proposed some amendments which, if passed into law, would permit share ratios to start trading. His office, while emphasising that this is a decision in respect of one product only, suggests that the legislative adjustments could be made by the end of this year.

But this has not stopped the SFE from fighting a fierce rear-guard action. It has already taken court action over the proposed LEPOs, for example. Any decision would probably be open to appeal, so this product is unlikely to be available before the end of this year.

While jockeying between the exchanges continues, some of the companies whose stock is involved in these new contracts are less than enthralled. When the first trio of contracts got under way, BHP pointed out that promotion of futures contracts on its shares tended to cut across its own investors relations department's efforts to promote the underlying physical stock.

Moreover, if use of the new contracts became widespread, the task of explaining share price movement in the underlying stock to less sophisticated investors would probably become more difficult.

For the exchanges there is the additional concern that they are playing in an international marketplace and that if their products are held back, other overseas exchanges will throw caution to the wind and take the initiative.

**Nikki Tait**

# Japan's brokers lower forecasts

By Emiko Terazono in Tokyo

Sluggish trading volume on the Tokyo stock market has led to Japan's "big four" brokers – Nomura, Daiwa, Nikko and Yamaichi – and 10 second-tier brokers revising downwards their interim earnings forecasts for the six months to September.

The move could herald another round of cost-cutting at the houses.

At the start of the current business year in April, the brokerage houses had hoped to see a recovery in corporate earnings support share prices and trading volumes.

A rush of buying of Japanese shares by overseas investors during the January-March quarter of this year helped to fuel such expectations.

However, domestic institutions have remained pessimistic over a sharp corporate earnings recovery, while flotations of former state-owned companies have triggered fears of over-supply and depressed investor confidence.

Although many brokers had hoped that average daily turnover would total around Y400bn ($4.04bn) for the first half, the actual figure has been Y350bn.

Although the brokerages have been reducing trading expenses and administrative costs, many have yet to restructure their fixed costs. "Until now their cost-cutting hasn't really been long-term rationalisation. They'll be forced to cut more into the fixed area," said Ms Elizabeth Daniels, banking analyst at Morgan Stanley in Tokyo.

Nomura Securities lowered its interim pre-tax profits forecast to Y23bn, down 9 per cent from the previous year and a 42.5 per cent decline from its initial estimate. The company blamed lower stock brokerage income and revenue linked to convertible and warrant bonds. Operating revenue for the interim period is forecast to be Y190bn, down 5.9 per cent from a year earlier, and after-tax profits are expected to decline 10 per cent to Y9bn.

For the full year to March, the company has revised down pre-tax profits to Y70bn – still 38.3 per cent higher than that achieved in the previous 12 months – on a 2.8 per cent rise in operating revenue to Y410bn and an 8.8 per cent increase in after-tax profits to Y27bn.

Daiwa Securities said interim pre-tax profits would plunge 80 per cent from a year earlier to Y7bn instead of the previously predicted Y25bn.

Operating revenue for the first six months is expected to fall 21.6 per cent to Y124bn and after-tax profits to decline 82.8 per cent to Y3bn. For the full year, Daiwa predicts pre-tax profits to fall 23 per cent to Y40bn on an 8 per cent decline in operating revenue to Y273bn.

Nikko Securities expects to break even at pre-tax and after-tax levels in the first half. Operating revenue is expected to fall 16 per cent to Y115bn. For the year to March, the company expects a 14.3 per cent fall in pre-tax profits to Y30bn on a 6.9 per cent decline in operating revenue to Y279.4bn.

Yamaichi Securities, which expected to post a pre-tax profit of Y10bn, now expects pre-tax losses of Y9bn on a 17.3 per cent fall in operating revenue to Y100bn.

For the year, the company forecasts a 26.9 per cent decline in pre-tax profits to Y13bn on a 3.4 per cent fall in operating revenue to Y228bn.

Meanwhile, all 10 second-tier brokers said they expected to post pre-tax losses for the six months to September.

# Qantas climbs into the black with last figures before float

By Nikki Tait in Sydney

Increased passenger loads and a large reduction in abnormal items helped Qantas, the government-controlled Australian airline in which British Airways holds a 25 per cent interest, climb back into the black for the year to June.

The carrier said that profits after tax and abnormals stood at A$155.9m (US$114.6m), compared with a loss of A$377.2m last time. Revenues were up by 13.2 per cent at A$6.6bn, although this was partly due to the inclusion of the domestic operations of the former Australian Airlines for 12 months (compared with 10 months previously). Earnings before interest and tax more than doubled to A$480m.

This is the last set of full-year figures which Qantas will produce before the government floats its remaining 75 per cent interest in the airline on the stock market in the first half of 1995.

Precise timing of the float – expected to raise more than A$2bn for the government – is undecided. Mr Gary Pemberton, Qantas chairman, said the prospectus would contain a profits forecast for 1994-95 and possibly for 1995-96.

The increase in operating profits during the past financial year was attributed to increased passenger loads both in Australia and overseas. The company said total revenue passenger kilometres on international routes rose by just over 10 per cent, and load factors increased from 67.9 per cent to 70.6 per cent.

However, yields – revenue per passenger kilometre – were merely stable, due to continued fare discounting.

Mr James Strong, chief executive, added that the Pacific routes, which have long been lossmaking, became "marginally profitable". A number of big US airlines, such as Continental and Northwest, have abandoned these routes and fares have risen significantly.

Revenue from domestic operations increased on the back of a 15.7 per cent rise in capacity, and yields showed "a slight improvement". Costs overall rose, but by less than capacity. Fuel costs for the year were "down marginally, net of hedges," according to Mr Pemberton. Interest charges were A$178.2m, compared with A$197.4m previously.

Abnormal items amounted to A$64.9m before tax, made up of redundancy provisions, asset writedowns, and a provision for under-recovery of rentals. A year ago, Qantas was hit by a massive A$446.4m abnormal charge.

Qantas said that "with no strengthening of yield in prospect, further reductions in overall unit cost levels will continue to be a major priority".

However, Mr Pemberton said that the carrier had been "quite happy with the first couple of months" of the current trading year," although he also warned that "future prospects will depend to a considerable extent on trends in the aviation market particularly a continued strengthening in market demand and maintenance of reasonable yields".

● Qantas said later that it was in the process of organising a A$750m five-year standby facility, to replace a US$400m note issue facility and separate US$300m multi-option facility.

# French lift results at Italcementi

By Andrew Hill in Milan

Income from Ciments Français and other foreign operations helped Italcementi, Italy's biggest cement group, to overcome the continued depression on its domestic market in the first half of this year.

Italcementi, which bought Ciments Français in 1992, has unveiled consolidated first-half profits, before amortisation, provisions and taxes, of L306.5bn ($196.47m) compared with L218.5bn in the first half of 1993.

But the company's Italian arm was hit by the continued stagnation in the Italian construction market. Production fell by 12.6 per cent, faster than the average drop in demand.

Overall income of the group, which is headed by the industrialist Mr Giampiero Pesenti, was L2,545bn compared with L2,556bn last time, but the Italian group registered a drop in turnover to L529.4bn, compared with L614.1bn in the first six months of 1993.

● Fondiaria, the Italian insurance company indirectly controlled by the Ferruzzi holding company, returned to net profit in the first half of 1994 due to extraordinary gains on the sale of investments and property.

After tax, the company recorded a profit of L14bn for the first half, compared with a loss of L121bn in the equivalent period.

Investment gains amounted to L64.2bn, compared with L9.6bn, and property sales realised a profit of L22bn. No property was sold in the first half of 1993.

Premium income also increased during the period, and the reduction of debts to L748bn on June 30, compared with more than L1,000bn a year earlier, also helped. Total group company premiums increased to L3,167bn, up 2.3 per cent.

# Bristol-Myers completes acquisition of UPSA

By John Ridding in Paris

Bristol-Myers Squibb, the US pharmaceuticals and health-care group, has announced the completion of its acquisition of UPSA, the French privately-owned pharmaceuticals company.

The US group also announced the appointment of Dr Jacques Dardaud as chairman of UPSA. Dr Dardaud, previously chairman of Bristol-Myers France, succeeds Dr Nicolas Bru with immediate effect and will have responsibility for UPSA's worldwide operations. Dr Bru will become president of UPSA's advisory board.

UPSA is a research-based company with annual sales of about $350m. It is one of the leading manufacturers and marketers of analgesics in France and Belgium and has subsidiaries in Belgium, Spain, Italy and Portugal. It also develops and markets cardiovascular and gastrointestinal medicines.

Mr Charles Heimbold, chairman of Bristol-Myers Squibb, said the deal would enhance its participation in Europe's growing self-medication market.

# Vietnam opens up share sale

Vietnam is to allow foreigners to buy bonds and shares issued by state-owned companies in what one economist said was a form of privatisation, Reuter reports from Hanoi.

The scheme will be open to foreign companies and residents, overseas Vietnamese and Vietnamese enterprises.

A government economist said the share issue would amount to issuing new capital that would be privately held, diluting state ownership.

New regulations say the purchase and sale of bonds and shares should be in Vietnamese dong.

## INTERNATIONAL CAPITAL MARKETS

# Treasuries lose ground on fears of tighter money

By Frank McGurty in New York and Conner Middelmann and Martin Brice in London

US Treasury bonds lost ground yesterday morning, with stronger than expected housing data fuelling speculation over the timing of the next change in monetary policy.

By midday, the benchmark 30-year government bond was ¼ lower at 99⅛, with the yield rising to 7.791 per cent. At the short end, the two-year note was down 3/32 at 99 25/32, to yield 6.458 per cent.

The day's economic news was mildly unfavourable, and provided an excuse for traders to lighten up on government securities amid the current uncertainty over interest rates.

The Commerce Department reported that August housing starts had risen 2.1 per cent, against forecasts of a slight decline.

Bonds dipped on the headline figure, but immediately began to retrace their steps on closer examination of the report.

Economists pointed out that most of the month's activity was concentrated in the multi-family sector. Single-family housing starts, a more reliable measure of the sector's strength, showed a 2.7 per cent downturn in August.

### GOVERNMENT BONDS

Still, the pessimism dominating the market over the past fortnight held prices firmly in negative ground. Traders appeared evenly divided in their bets on when the Federal Reserve would lift short-term interest rates again.

The recent signs of accelerating inflation and last week's evidence of a bubbling economy suggested an early move by the Fed.

Despite the data, some observers believed the central bank would wait until after the mid-term elections in early November before taking any action which could be construed as politically motivated.

The first camp was given a boost yesterday by Mr Wayne Angell, chief economist at Bear Stearns and a former Fed governor.

In a statement prepared for clients of the securities house, Mr Angell said he believed there was a 60 per cent chance that the central bank's policy-making arm would decide to lift rates at its September 27 meeting.

He said the Fed was likely to sanction an increase in both the Fed funds and discount rates by 50 basis points each, to 5.25 and 4.50 per cent respectively.

■ Lower than expected German money supply numbers gave European government bonds an early lift but prices drifted lower in the afternoon to end the day weaker.

"M3 provided some support, but the reaction was pretty anaemic, which suggests that underlying sentiment is still very weak," said Mr Philip Tyson, European bond analyst at CS First Boston.

European bonds were dragged lower in the afternoon by weaker US Treasuries amid speculation that the US Federal Reserve plans to tighten monetary policy in the near future.

■ German bunds ended the day slightly stronger but off their highs, with the December bund future closing around 88.22, up 0.24 on the day.

Shrugging off strong producer prices, bunds rose on lower than expected August M3 money supply data showing an annualised growth rate of 8.2 per cent. However, they were dragged back down by weaker US Treasuries.

The German market remains overshadowed by Bavarian state elections this weekend, which are seen as an indication of voting behaviour in the federal elections on October 16. Moreover, a heavy supply burden looms in the final quarter, all of which is likely to keep bunds subdued.

■ UK gilts drifted in lacklustre trading, led by overseas bond markets. The December gilt future on Liffe rose just 1/32 on the day to 98¼ in late trading.

UK trade figures were shrugged off by the market, as were the minutes of the July meeting on monetary policy between Mr Kenneth Clarke, the chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England. Traders said the minutes were overtaken by last week's 50 basis point rise in the base rate.

Mr Simon Briscoe, of S. G. Warburg, said the trade figures were good for gilts, as were the minutes, since they showed agreement on policy between the governor and the chancellor.

But Mr Huw Roberts, at NatWest Markets, said there was little sentiment behind gilts, and any rally was met with a wave of selling. "It is a brave man who would step back into this market."

■ Among the higher-yielding markets, Italy put on a strong performance, with the December bond futures contract on Liffe rising by 0.81 to 98.64.

Elsewhere, Portugal appears to be mulling the issuance of floating-rate debt for the first time since 1992. After failing to place fixed-rate Treasury bonds for six consecutive weeks, a senior finance ministry official told Reuters that "it is very likely that the state will issue more OTs [fixed-rate bonds] this year or perhaps floating-rate paper".

# JP Morgan tops OTC swaps poll

By Tracy Corrigan

For the second year running, J. P. Morgan has topped the rankings of firms in the over-the-counter swaps market, while Swiss Bank Corporation continues to dominate the over-the-counter options market, according to a poll published in September's Risk Magazine, a monthly publication specialising in derivatives. More than 100 banks, investment houses and brokers were polled in June and July.

Among their closest competitors, Credit Suisse Financial Products gained ground in several areas, including currency swaps and options.

In the market for more complex or exotic derivatives such as "differential" swaps and look-back options, Bankers Trusts' pre-eminent position showed signs of slipping.

Although still ranked in each of the 10 categories, Bankers was voted top of only six categories this year, possibly reflecting adverse publicity due to corporate losses on swaps arranged by the bank.

The number of banks nominated rose in many areas, reflecting increased competition in the derivatives market. However, domestic banks swept the board for many individual swaps markets, including sterling. French francs and Swiss francs, suggesting that it is still possible to conduct successful swaps business in niche areas.

Among derivatives brokers, Intercapital and Tullet & Tokyo dominated the field, with Intercapital particularly strong in interest rate and equity products and Tullet well ahead in forward rate agreements.

# Belgium mulls DM1bn offering

By Antonia Sharpe

The Kingdom of Belgium is thought to be close to launching a DM1bn eurobond offering but is undecided whether to go for a floating-rate or fixed-rate structure.

Some banks are advising Belgium that an issue of floating-rate notes (FRNs) would get a better reception from investors in the light of current market conditions. They also say an issue of FRNs would be cheaper.

However, other banks believe that Belgium would be wiser to opt for a fixed-rate offering so as not to collide with the Bundesbank's issue of 10-year floating-rate bunds which is scheduled for next week.

If Belgium chooses to do an FRN offering, the most likely maturity would be between five and seven years, syndicate managers said. They expect a discount margin of around five basis points over Libor which would produce a coupon of Libor flat.

### INTERNATIONAL BONDS

With respect to the likely pricing of a fixed-rate offering, syndicate managers said Belgium would have to offer a yield spread of between 20 to 25 basis points over bunds for a five-year issue and a spread in the low 30s for a 10-year issue. Belgium is expected to make a decision today but the issue is not likely to emerge until next week.

Another issue in the pipeline is a debut Hungarian forint offering from the International Finance Corporation (IFC) which will be offered to domestic and foreign investors.

Mr John Borthwick, principal financial officer, said the IFC put in place a Ft5bn medium-term note programme this week, arranged by CS First Boston. The IFC plans to use the programme to fund back-to-back loans to its clients in Hungary. Mr Borthwick said it would be the first time the IFC made loans to its clients in their local currency.

Meanwhile, the National Bank of Hungary is seeking to raise FFr1bn through an offering of eurobonds with a maturity of six to eight years. The issue, via Crédit Lyonnais, is expected to be priced to yield around 235 basis points over French government bonds.

Sterling-denominated issues dominated yesterday's offerings, with the Japanese City of Kobe raising £200m through a 10-year offering. Syndicate managers said the pricing of 40 basis points over 10-year UK government bonds was fair but that investor demand for that maturity was low.

Nestlé Holdings took advantage of the arbitrage opportunities at the shorter end of the curve, raising £75m through an offering of three-year eurobonds.

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book runner |
|---|---|---|---|---|---|---|---|
| **YEN** | | | | | | | |
| Daiwa Intl.Fin.(Cay.)(a,s)★ | 10bn | (a1) | 100.00 | Dec.2004 | undiscl. | - | Merrill Lynch International |
| Daiwa Intl.Fin.(Cay.)(b,s)★ | 8bn | (b1)# | 100.00 | Jun.2005 | undiscl. | - | Salomon Brothers Intl. |
| Daiwa Intl.Fin.(Cay.)(s)★ | 7.5bn | 5.00 | 100.00 | Dec.2004 | undiscl. | - | Morgan Stanley Intl. |
| Daiwa Intl.Fin.(Cay.)(c,s)★ | 2.5bn | (c1)# | 100.00 | Dec.2004 | undiscl. | - | Salomon Brothers Intl. |
| **STERLING** | | | | | | | |
| City of Kobe | 200 | 9.50 | 99.45R | Oct.2004 | 0.325R | +40(8¾%-04) | UBS |
| Alliance & Leicester B/S‡ | 100 | (d) | 100.00 | Oct.1999 | undiscl. | - | JP Morgan Securities |
| Nestlé Holdings(UK)(l) | 75 | 8.75 | 99.90R | Dec.1997 | 0.1875R | +10(8¾%-97) | JP Morgan Securities |
| **ITALIAN LIRE** | | | | | | | |
| European Investment Bank(e) | 200bn | 11.45 | 102.00 | Oct.1997 | 1.25 | - | B.Roma/D'sche Lndn/IMI Lux |
| **ECUS** | | | | | | | |
| Philip Morris | 150 | 8.50 | 100.00R | Oct.1998 | 0.275R | +30(8½%-98) | Paribas Capital Markets |
| **LUXEMBOURG FRANCS** | | | | | | | |
| Swedish Export Credit(l) | 2bn | 8.00 | 102.40 | Dec.1998 | 1.625 | - | BGL/Banque Paribas Lux. |

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Unlisted. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Callable on 28/12/00 at par. a1) 5% to 28/12/00 and 5.3% thereafter. b) Callable on 29/12/99 at par. b1) 5% to 29/12/99 and 5.26% thereafter. c) Callable on 29/12/99 at par. c1) 5% to 29/12/99 and 5½% thereafter. d) 3-mth Libor +⅛%. e) Issue launched on 13/9/94 was increased to L700bn. l) Long 1st coupon. s) Short 1st coupon.

# Thomson Financial in trade confirmation deal

By Norma Cohen, Investments Correspondent

Thomson Financial Services, a provider of software, research and analysis for the securities industry, has signed an agreement to become the sole provider of electronic trade confirmation services for Sicovam, the French central depository for securities.

Trade confirmation occurs between counterparties immediately after a bargain has been agreed. Full settlement of securities cannot be completed without trade confirmation and electronic confirmation cuts transactions costs significantly.

Sicovam is owned by French financial institutions and the Paris Bourse. Although it already provides electronic trade confirmation for bargains struck between brokers, it does not do so for bargains between French brokers and their institutional or foreign counterparties.

French securities trans-actions settle three days after each bargain is struck, a system which has dramatically raised the costs of trade confirmation for firms which still use manual systems.

The deal is also significant for Thomson, which has been seeking a toe-hold for its electronic trade confirmation services in Europe. In the UK market, its leading competitor for the service is the London Stock Exchange's Seaqual.

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Day's change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| Australia | | 9.000 | 09/04 | 93.1800 | - | 10.10 | 10.20 | 9.36 |
| Belgium | | 7.250 | 04/04 | 91.1800 | +0.030 | 8.63 | 8.67 | 8.43 |
| Canada * | | 6.500 | 06/04 | 83.9500 | −0.450 | 9.02 | 8.82 | 8.73 |
| Denmark | | 7.000 | 12/04 | 85.7500 | +0.100 | 9.20 | 9.21 | 8.90 |
| France | BTAN | 8.000 | 05/98 | 101.2500 | - | 7.56 | 7.48 | 7.26 |
| | OAT | 5.500 | 04/04 | 82.4000 | −0.070 | 8.22 | 8.10 | 7.84 |
| Germany Bund | | 6.750 | 07/04 | 93.5100 | +0.010 | 7.71 | 7.61 | 7.26 |
| Italy | | 8.500 | 04/04 | 81.6600 | +0.270 | 11.75† | 11.98 | 11.56 |
| Japan | No 119 | 4.800 | 06/99 | 103.7300 | +0.140 | 3.87 | 3.90 | 3.95 |
| | | 4.100 | 12/03 | 97.3690 | +0.320 | 4.50 | 4.54 | 4.66 |
| Netherlands | | 5.750 | 01/04 | 87.7200 | +0.020 | 7.64 | 7.55 | 7.31 |
| Spain | | 8.000 | 05/04 | 80.8500 | +0.150 | 11.34 | 11.47 | 11.01 |
| UK Gilts | | 6.000 | 08/99 | 88-28 | −4/32 | 8.88 | 8.64 | 8.43 |
| | | 6.750 | 11/04 | 84-30 | −4/32 | 9.04 | 8.89 | 8.64 |
| | | 9.000 | 10/08 | 100-06 | −1/32 | 8.97 | 8.85 | 8.65 |
| US Treasury * | | 7.250 | 08/04 | 97-29 | −6/32 | 7.55 | 7.42 | 7.26 |
| | | 7.500 | 11/24 | 96-07 | −11/32 | 7.83 | 7.69 | 7.52 |
| ECU (French Govt) | | 6.000 | 04/04 | 82.2700 | −0.010 | 8.81 | 8.67 | 8.43 |

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. *Source: MMS International*

### US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

| | | | | | |
|---|---|---|---|---|---|
| | | One month | 4.75 | Two year | 6.48 |
| Prime rate | 7¾ | Two month | 4.73 | Three year | 6.77 |
| Broker loan rate | 6½ | Three month | 4.80 | Five year | 7.18 |
| Fed.funds | 4¾ | Six month | 5.40 | 10-year | 7.56 |
| Fed.funds at intervention | - | One year | 5.86 | 30-year | 7.81 |

### BOND FUTURES AND OPTIONS

#### France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 110.28 | 110.14 | +0.06 | 110.58 | 110.12 | 164,394 | 145,423 |
| Mar | 109.48 | 109.42 | +0.06 | 109.76 | 109.42 | 2,637 | 5,001 |
| Jun | 108.80 | 108.72 | +0.04 | 108.80 | 108.70 | 12 | 350 |

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

| Strike Price | Calls Oct | Calls Dec | Calls Mar | Puts Oct | Puts Dec | Puts Mar |
|---|---|---|---|---|---|---|
| 110 | - | 1.74 | - | 0.53 | 1.52 | - |
| 111 | 0.28 | 1.16 | - | 1.06 | 1.97 | - |
| 112 | 0.10 | 0.78 | - | 1.90 | 3.25 | - |
| 113 | - | 0.47 | - | - | 3.25 | - |
| 114 | 0.03 | 0.29 | 0.58 | - | 4.04 | - |

Est. vol. total, Calls 23,066 Puts 48,732. Previous day's open int., Calls 222,068 Puts 313,117.

#### Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 88.18 | 88.12 | +0.04 | 88.53 | 88.03 | 145813 | 145383 |
| Mar | 87.50 | 87.34 | +0.06 | 87.50 | 87.50 | 15 | 1288 |

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

| Strike Price | Calls Oct | Calls Nov | Calls Dec | Calls Mar | Puts Oct | Puts Nov | Puts Dec | Puts Mar |
|---|---|---|---|---|---|---|---|---|
| 8800 | 0.37 | 0.99 | 1.33 | 1.41 | 0.25 | 0.87 | 1.21 | 2.07 |
| 8850 | 0.16 | 0.74 | 1.07 | 1.16 | 0.54 | 1.12 | 1.45 | 2.34 |
| 8900 | 0.05 | 0.54 | 0.84 | 0.97 | 0.83 | 1.42 | 1.72 | 2.63 |

Est. vol. total, Calls 16596 Puts 9951. Previous day's open int., Calls 206897 Puts 205069

#### Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 98.00 | 98.40 | +0.57 | 98.98 | 98.00 | 46738 | 63966 |
| Mar | 97.75 | 97.80 | +0.57 | 98.04 | 97.75 | 30 | 640 |

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

| Strike Price | Calls Dec | Calls Mar | Puts Dec | Puts Mar |
|---|---|---|---|---|
| 9800 | 2.31 | 3.24 | 1.91 | 3.44 |
| 9850 | 2.03 | 3.01 | 2.13 | 3.71 |
| 9900 | 1.77 | 2.79 | 2.37 | 3.99 |

Est. vol. total, Calls 1142 Puts 2710. Previous day's open int., Calls 11271 Puts 15174

#### Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 85.19 | 85.16 | +0.22 | 85.50 | 84.90 | 44,451 | 67,301 |

#### UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 99-11 | 98-30 | +0-02 | 99-11 | 99-11 | 2 | 18410 |
| Dec | 98-08 | 98-04 | +0-01 | 98-20 | 97-28 | 61910 | 95159 |
| Mar | - | 97-16 | +0-01 | - | - | 0 | 0 |

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

| Strike Price | Calls Dec | Calls Mar | Puts Dec | Puts Mar |
|---|---|---|---|---|
| 98 | 2-01 | 2-43 | 1-57 | 3-11 |
| 99 | 1-33 | 2-15 | 2-25 | 3-47 |
| 100 | 1-08 | 1-55 | 2-62 | 4-23 |

Est. vol. total, Calls 5511 Puts 3267. Previous day's open int., Calls 45881 Puts 32378

#### Ecu

■ ECU BOND FUTURES (MATIF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 79.00 | 78.82 | -0.04 | 79.26 | 78.82 | 1,119 | 8,058 |

#### US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 100-11 | 100-09 | - | 100-18 | 100-03 | 19,818 | 54,190 |
| Dec | 99-14 | 99-14 | +0-01 | 99-23 | 99-05 | 375,643 | 378,546 |
| Mar | 98-23 | 98-23 | - | 98-31 | 98-17 | 1,619 | 10,492 |

#### Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

| | Open | Close | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 108.35 | - | - | 108.45 | 108.26 | 1855 | 0 |
| Mar | 107.46 | - | - | 107.49 | 107.46 | 20 | 0 |

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

### FT-ACTUARIES FIXED INTEREST INDICES

| Price Indices UK Gilts | Wed Sep 21 | Day's change % | Tue Sep 20 | Accrued interest | xd adj. ytd | | Low coupon yield Sep 21 | Sep 20 | Yr. ago | Medium coupon yield Sep 21 | Sep 20 | Yr. ago | High coupon yield Sep 21 | Sep 20 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 Up to 5 years (24) | 118.85 | +0.05 | 118.79 | 1.84 | 8.13 | 5 yrs | 8.95 | 8.95 | 6.37 | 9.00 | 9.01 | 6.64 | 9.15 | 9.16 | 6.85 |
| 2 5-15 years (21) | 135.51 | +0.12 | 135.35 | 1.61 | 9.88 | 15 yrs | 8.87 | 8.89 | 7.24 | 9.03 | 9.05 | 7.38 | 9.24 | 9.25 | 7.61 |
| 3 Over 15 years (9) | 150.60 | +0.16 | 150.36 | 1.58 | 9.81 | 20 yrs | 8.77 | 8.81 | 7.34 | 9.03 | 9.05 | 7.42 | 9.08 | 9.09 | 7.63 |
| 4 Irredeemables (6) | 172.77 | +0.70 | 171.57 | 3.06 | 8.83 | Irred.† | 8.81 | 8.88 | 7.46 | | | | | | |
| 5 All stocks (60) | 133.71 | +0.11 | 133.57 | 1.73 | 9.32 | | | | | | | | | | |

| Index-linked | | | | | | | Inflation 5% Sep 21 | Sep 20 | Yr. ago | Inflation 10% Sep 21 | Sep 20 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 6 Up to 5 years (2) | 183.99 | +0.04 | 183.92 | −0.17 | 5.07 | Up to 5 yrs | 4.09 | 4.10 | 2.63 | 2.93 | 2.93 | 1.79 |
| 7 Over 5 years (11) | 170.00 | −0.04 | 170.06 | 0.65 | 3.95 | Over 5 yrs | 3.97 | 3.98 | 3.23 | 3.77 | 3.78 | 3.05 |
| 8 All stocks (13) | 170.57 | −0.03 | 170.62 | 0.57 | 4.04 | | | | | | | |

| Debentures and Loans | | | | | | 5 year yield Sep 21 | Sep 20 | Yr. ago | 15 year yield Sep 21 | Sep 20 | Yr. ago | 25 year yield Sep 21 | Sep 20 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 9 Debs & Loans (76) | 124.52 | +0.20 | 124.28 | 2.54 | 7.88 | 10.02 | 10.07 | 8.02 | 9.95 | 9.98 | 8.26 | 9.88 | 9.90 | 8.36 |

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

### FT FIXED INTEREST INDICES

| | Sep 21 | Sep 20 | Sep 19 | Sep 16 | Sep 15 | Yr ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt. Secs. (UK) | 89.71 | 89.54 | 90.22 | 89.99 | 90.78 | 101.28 | 107.04 | 89.54 |
| Fixed Interest | 106.50 | 106.73 | 106.85 | 107.30 | 107.31 | 122.55 | 133.87 | 106.50 |

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

### GILT EDGED ACTIVITY INDICES

| | Sep 20 | Sep 19 | Sep 16 | Sep 15 | Sep 14 |
|---|---|---|---|---|---|
| Gilt Edged bargains | 137.9 | 103.2 | 108.7 | 80.4 | 83.7 |
| 5-day average | 102.8 | 97.5 | 94.4 | 95.1 | 99.2 |

## UK GILTS PRICES

| Notes | Yield Int | Yield Red | Price £ | + or − | 1994 High | 1994 Low |
|---|---|---|---|---|---|---|
| Shorts" (Lives up to Five Years) | | | | | | |
| Treas 8pc 1994‡‡ | 8.96 | 5.50 | 100½ | — | 103⅞ | 100½ |
| 12pc 1995 | 11.76 | 5.68 | 102 | — | 107⅞ | 102 |
| Exch 3pc Gas 1990-95 | 3.05 | 5.82 | 98⅜ | — | 98⅞ | 97¼ |
| 10¼pc 1995 | 9.98 | 6.83 | 102⅞ | — | 107⅞ | 102⅞ |
| Treas 12¼pc 1995‡‡ | 12.04 | 7.23 | 105⅞ | — | 113⅞ | 105⅞ |
| [illegible] | | | | | | |

| Notes | Yield Int | Yield Red | Price £ | + or − | 1994 High | 1994 Low |
|---|---|---|---|---|---|---|
| Treas 11½pc 2001-4 | 10.47 | 9.42 | 109⅞xd | −⅛ | 128⅞ | 109⅞ |
| Funding 3½pc 1999-4 | 4.97 | 7.97 | 70½ | +⅛ | 86⅞ | 69¾ |
| Conversion 9½pc 2004 | 9.30 | 9.14 | 102⅞xd | +⅛ | 123⅞ | 101⅞ |
| Treas 6¾pc 2004‡‡ | 7.95 | 9.03 | 84⅞ | — | 105¼ | 84⅞ |
| Conv 9½pc 2005 | 9.26 | 9.11 | 102⅞xd | +⅛ | 125½ | 102¼ |
| [illegible] | | | | | | |

| Notes | Yield (1) | Yield (2) | Price £ | + or − | 1994 High | 1994 Low |
|---|---|---|---|---|---|---|
| Index-Linked (b) | | | | | | |
| 2pc '96 (67.9) | 2.85 | 4.23 | 198½ | +⅛ | 203⅝ | 197⅞ |
| 4⅝pc '98‡‡ (135.6) | 2.98 | 3.80 | 108⅛xd | +⅛ | 113⅞ | 108⅛ |
| 2½pc '01 (78.3) | 3.49 | 3.92 | 164⅞xd | +⅛ | 178⅞ | 163½ |
| 2½pc '03 (78.8) | 3.59 | 3.94 | 159⅞ | — | 173⅝ | 159⅞ |
| [illegible] | | | | | | |

### Other Fixed Interest

[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

## FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on September 21

| | Issued | Bid | Offer | Chg. | Yield |
|---|---|---|---|---|---|
| U.S. DOLLAR STRAIGHTS | | | | | |
| Abbey Natl Treasury 6½ 03 | 1000 | 90 | 90¼ | | 8.15 |
| Alberta Province 7⅝ 98 | 1000 | 100⅝ | 100⅞ | −⅛ | 7.43 |
| Austria 8½ 00 | 400 | 103¾ | 104⅛ | −⅛ | 7.60 |
| [illegible] | | | | | |

| | Issued | Bid | Offer | Chg. | Yield |
|---|---|---|---|---|---|
| United Kingdom 7¼ 97 | 5500 | 100½ | 100⅝ | −¼ | 6.93 |
| Volkswagen Intl Fin 7 03 | 1000 | 93¾ | 94 | −¼ | 8.10 |
| World Bank 0 15 | 2000 | 19¼ | 20 | −⅛ | 8.06 |
| World Bank 5⅞ 03 | 3000 | 87⅛ | 87¼ | −⅜ | 7.90 |
| [illegible] | | | | | |

| | Issued | Bid | Offer | Chg. | Yield |
|---|---|---|---|---|---|
| Abbey Natl Treasury 8 03 £ | 1000 | 89¼ | 89½ | | 9.91 |
| Alliance Leics 11⅜ 97 £ | 100 | 105⅛ | 105⅝ | −⅛ | 9.05 |
| British Land 8⅞ 23 £ | 150 | 85½ | 86 | −⅛ | 10.75 |
| Denmark 6¾ 98 £ | 800 | 92¼ | 92½ | −⅛ | 9.18 |
| [illegible] | | | | | |

SWISS FRANC STRAIGHTS — [illegible]

YEN STRAIGHTS — [illegible]

OTHER STRAIGHTS — [illegible]

DEUTSCHE MARK STRAIGHTS — [illegible]

FLOATING RATE NOTES — [illegible]

CONVERTIBLE BONDS — [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: [illegible] CONVERTIBLE BONDS: [illegible]

## COMPANY NEWS: UK AND IRELAND

### Strong sales growth contributes to sharp rise in working capital

# Laporte up 14% to £58.6m

**By David Wighton**

Laporte, the speciality chemicals group that acquired Evode for £129m last January, increased pre-tax profits by 14 per cent from £51.3m to £58.6m in the six months to July 3.

Mr Ken Minton, chief executive, said that the group had experienced "modest" improvements in trading conditions in many of its major markets, with the trend accelerating in the second quarter.

But the strong sales growth at the end of the period contributed to a sharp rise in working capital, about which Mr Minton said he was "bloody angry". He added that some of the build up of debtors would reverse in the second half.

Turnover rose 11.5 per cent to £490.8m. Laporte said that allowing for disposals, sales increased by 16.8 per cent; however, this has not been adjusted for acquisitions.

Earnings per share rose 9.5 per cent to 22p and the interim dividend is up 7 per cent to 7.9p (7.4p).

Stripping out disposals, operating margins slipped to 12.75 per cent (13 per cent), but before depreciation – which rose £1.9m – and rationalisation costs of £1.9m (£800,000) margins were ahead.

Mr Minton said he hoped to widen margins further helped by the reorganisation of the group into 16 strategic business units. Started last year the process is already yielding "substantial" savings and is on track to cut costs by 2 per cent after two years.

Laporte is also managing to push through some price rises helped by the improving health of some of its customers, notably polymer manufacturers.

All five divisions reported higher profits with organics, construction chemicals and engineering polymers/electronic chemicals showing strong growth.

After a £30.7m jump in working capital, there was a cash outflow from operations of £14.4m and net borrowings rose £4.7m to £139.9m during the period. However, the company stressed that this was partly seasonal that net debt continued on a declining trend. Gearing was 41 per cent, but interest cover 14.6 times.

● **COMMENT**

The lingering worry with Laporte is that it tries too hard to impress. The 16.8 per cent figure for sales growth allowing for disposals was admirable, but meaningless. Adjusting for the acquisition of Aztec and the extra month from Evode, the underlying increase was nearer 10 per cent. That is respectable enough though it is easy to see why Laporte might be tempted into a bit of window dressing. Now that the main gains from Evode are in the bank, it needs to show healthy organic growth to justify its premium share rating. But on current forecasts its growth is lagging the rest of the market. The solution might be another deal and after the success of Evode the City would be likely to back a cash call. Another rights issue might also push it back into the FT-SE 100.

# Arjo allays fears of large rights issue

**By Richard Wolffe**

Shares in Arjo Wiggins Appleton rose by 12p to 263p yesterday after the Anglo-French paper group denied that it would bid for SD Warren, owner of four big US paper mills. Warren is being auctioned by Scott Paper Company.

Arjo said, however, it was "investigating ways whereby it might participate in a significantly smaller proportion of SD Warren's business in conjunction with a partner."

Analysts described the share price rise as a collective sigh of relief that Arjo would not be launching a substantial rights issue to fund an acquisition.

Mr Mike Brown of SG Warburg Securities said: "The statement was overdue, because the market was rife with these stories. It was emerging that there were one or two favoured candidates at Warren and people were beginning to put some numbers together."

Arjo is likely to face stiff competition to buy the more attractive operations at Warren, the world's largest maker of coated free-sheet paper. The auction is due to close next week.

Arjo has been hit by wood pulp price increases of 45 per cent this year as the recovery in the paper industry has led to a shortage of raw material. With little pulp production of its own, it has been forced to pass on higher costs.

See Lex

# Barratt advances 72% to £35.2m

**By Christopher Price**

Barratt Developments yesterday underlined the strength of the recovery in the group's fortunes and the UK housing market with a 72 per cent rise from £20.4m to £35.2m in full-year profits to June 30.

Sir Lawrie Barratt, chairman, said the pace of recovery in the south-east was one of the most significant factors in the continuing recovery. "After substantial losses over the previous four years, the return to profitable trading of our southern region subsidiaries is a major achievement," he said.

Turnover increased 23 per cent to £498.9m (£405.3m). Earnings per share rose 39 per cent to 12.9p (9.3p). The final dividend is 4p (3p) for a total for the year of 6p (4p).

Sir Lawrie, 66, who came out of retirement three years ago after the group began to incur heavy losses, took the opportunity yesterday to scotch press speculation that he was about to step down. "Rumours of my resignation have been greatly exaggerated," he said, adding that he intended to see out the remaining two years of his agreed tenure.

Mr Frank Eaton, chief executive, said price rises nationwide for new houses were ahead of inflation and running between 5 and 10 per cent ahead of a year ago in the south-east.

However, older Barratt properties were proving harder to make price rises stick and overall prices were stagnant. Mr Eaton forecast similar price rises for the following 12 months, with volumes likely to be ahead 10 per cent. The average price of a Barratt house last year was £74,900 against £74,800 the previous year.

Operating margins improved from 8 per cent to 10.4 per cent, which the company put down to a general improvement in the housing market. Mr Eaton said that the company had withstood pressure from suppliers to pass cost increases on.

● **COMMENT**

The miserly rise in Barratt's share price yesterday showed less attention to the group's seemingly good results and more to the issue currently occupying investors' minds: interest rates. Profit forecasts have been raised some 8 per cent for next year to around the £50m mark. This would give 18.6p of earnings and a prospective p/e of 9.6 – undemanding, particularly when compared with the likes of Bryant and the construction sector as a whole. But while expectations of interest rates remain upward, and given the caution of some investors towards volume housebuilders after the severity of the recession, the shares are unlikely to show any great improvement.

# Bowthorpe rises to £31.2m

**By David Blackwell**

Bowthorpe, the international electronic and electrical components group that made a £64.4m rights issue last December, lifted interim pre-tax profits 16 per cent from £27m to £31.2m. Turnover for the six months to June 30 rose 24 per cent, from £163.6m to £202.2m.

Mr John Westhead, chief executive, said the results showed "a satisfactory improvement". The group, which has 83 companies operating in 11 business sectors, was continuing to look for acquisitions in niche businesses following last month's £4.4m purchase of Bohlin Instruments.

The group, ungeared since the rights issue, generated £11.4m (£6.3m) from continuing operations. Net liquid funds at 30 June totalled £100.5m (£23.6m at December 31 1993).

Acquisitions were behind the improvement in the US, which reported operating profits of £11.6m (£9.2m) and accounted for 37 per cent of the group total. Turnover rose from £51.6m to £80.6m.

A good exports performance was behind the £1.3m increase in UK operating profits to £8.2m, 26 per cent of the group total. There were signs of recovery in Europe, where operating profits edged ahead by £600,000 to £9.4m, or 30 per cent of the total.

The group said that, while outlook for the rest of the year was satisfactory, there was evidence of a slower US growth rate and margins continued to be under pressure in Europe. The group maintained first half margins at 15.1 per cent. Earnings per share were ahead 3.7 per cent from 8.91p to 9.24p after dilution for the rights issue. The interim dividend rises from 1.88p to 1.96p.

# William Sindall shares dip 16%

Shares in William Sindall retreated 16 per cent yesterday after the building company said it was in talks which "could result in a major acquisition and fund raising exercise."

The statement continued: "However, it is envisaged that any issue of ordinary shares made in connection with these proposals would be at a discount to the current midmarket price." The company refused to comment further.

Sindall shares closed down 17p at 88p. The announcement had been prompted by a recent surge in the shares.

# Innovative buy-back at Northern Electric

**By Michael Smith**

Northern Electric bought back 10 per cent of its shares yesterday after announcing an innovative method of effecting the purchases which could entitle sellers to significant tax credits.

Although six other regional electricity companies have bought back shares none of them are near the 10 per cent level which most set as limits when seeking shareholder approval.

Several have been considering programmes of the type launched by Northern yesterday but have backed off because of uncertainty over the Inland Revenue's stance.

Northern yesterday made clear that potential entitlements to tax credits under its scheme would be a matter which shareholders would have to negotiate individually with the Inland Revenue.

It could not give any assurance that the tax credit would ultimately be realised. However the company would provide vouchers showing information including the associated tax credit.

Barclays de Zoete Wedd, Northern's broker, said last night that it had bought 12.4m shares yesterday at between 812p and 818p. Northern's shares closed at 813p yesterday, a rise of 19p.

Through the Northern scheme, BZW acted as an agent to effect on-market purchases rather than a market maker. The idea is that a shareholder who sells shares to the company through an agent would be treated as receiving a "qualifying distribution", or income similar to a dividend, for tax purposes.

The amount treated as a distribution is the repurchase price of the shares less their nominal value of 50p.

Analysts gave it a mixed welcome. Some praised the company and its advisers for devising a scheme that gave investors the possibility of higher rewards than they expected. Others believed the market may punish the company, by downgrading its shares, if the Inland Revenue failed to give tax credits in large quantities.

# Spirax-Sarco achieves 24% expansion to £14m

**By Andrew Bolger**

Lydia van der Meer

David Meredith, finance director, (left), with Chris Tappin and Tim Fortune, managing director: confidence returning in the UK

Spirax-Sarco Engineering, the Cheltenham-based steam equipment specialist which sells 85 per cent of its products overseas, reported a 24 per cent increase in pre-tax profits, from £11.4m to £14.1m, in the six months to June 30.

Operating profit increased 23 per cent to £14.8m and operating margin improved from 13.3 to 14.2 per cent.

Mr Chris Tappin, executive chairman, said: "The return to volume growth which we achieved in the last quarter of 1993 has been maintained consistently throughout the period, emphasising the international strength of our business."

He said the group was beginning to experience some increase in the price of raw materials, but these were not a significant element in the final sales price and would not have a material effect on margins.

Turnover increased by 14 per cent to £103.9m, of which 6 percentage points were attributable to a full contribution from Spirax-Jucker, the group's former Italian licensee which it bought for £13.4m last year.

The group said that while volume was unchanged in the UK, margins improved and it was seeing the first signs of returning confidence.

Volumes grew in continental Europe in spite of continuing difficulties being experienced in Germany and Italy. In particular, the group's sales operations in France, Scandinavia and Spain achieved good improvements.

Mr Tappin said the main manufacturing activities in the UK, US and France enjoyed higher levels of demand, in part following last year's inventory reduction, and increased their shipments to its selling operations around the world. Good productivity gains, coupled with tight cost control, resulted in the improved manufacturing margins.

Group companies in the Americas increased volume and strong growth in Asian markets helped subsidiaries in Korea, Singapore and Thailand to increase their contribution to profits.

Gearing fell from 35 to 13 per cent. Earnings per share rose by 26 per cent to 10.7p (8.5p). An interim dividend of 3.5p compares with 6.6p last time when the payment was boosted to maximise the benefit from an enhanced scrip dividend.

# Cash & carry sale blamed for Fitzwilton depression

**By Peter Pearse**

Fitzwilton, the Irish industrial holding group with significant food retailing interests, reported a reduction in pre-tax profits from I£1.02m to I£259,000 (£255,730) in the six months to June 30.

However, profits from continuing operations surged from I£941,000 to I£3.23m. The shares closed 1p up at 44p.

Mr Tony O'Reilly, chairman and owner of a 15.23 per cent stake, said the period had been influenced by four developments.

Of these, the sale of the M6 Cash & Carry division to Nurdin & Peacock lay behind the depressed pre-tax profits. Mr Patrick Dowling, finance director, said the £21.9m sale, plus the assumption by N&P of £10.5m debt was "a heck of a good price."

In another development Fitzwilton raised its stake in FA Wellworth from 43 to 97 per cent, concentrating group activities within Northern Ireland's food retailing sector.

Some I£50m of new equity raised in the period marked the third development and helped finance the I£41m purchase of the extra 54 per cent of Wellworth. The retailer was bought with venture capital partners from Isosceles for I£120m, which Mr Dowling said looked very favourable "in the light of what Tesco paid for Wm Low."

Wellworth is set to contribute 70 per cent of group profits this year. In the 53 weeks to April 30, the 36-store retailer raised operating profits to £18.5m, against £16.3m in the previous 52 weeks.

The fourth influence in the period was the turnround at Waterford Wedgwood. Fitzwilton's 9.4 per cent holding, worth some I£40m, represents 40 per cent of its capitalisation.

Total losses per share were 0.52p (0.31p), but, on continuing activities, earnings were 0.84p (losses 0.18p). The interim dividend is reduced to 1p (1.5p).

## DIVIDENDS ANNOUNCED

| | | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|
| Arcoelectric | int | 0.6075 | Nov 14 | 0.555 | - | 1.215 |
| Barratt Dev | fin | 4 | Nov 18 | 3 | 6 | 4 |
| Bowthorpe | int | 1.96 | Dec 12 | 1.88 | - | 6.91 |
| Brit Aerospace | int | 4 | Nov 30 | 3.3 | - | 8.3 |
| Chelsfield | int | 1 | Nov 10 | - | - | - |
| Fitzwilton | int | 1‡ | - | 1.5 | - | 3.5 |
| Golden Vale | int | 0.6‡ | - | 0.6 | - | 1.95 |
| Henderson Euro | fin | 1.85 | Nov 2 | 1.7 | 3.35 | 3.2 |
| Kleinwort Devpt | fin | 8.25 | Dec 12 | 7.75 | 11 | 10.5 |
| Laporte | int | 7.9 | Nov 23 | 7.4 | - | 20.7 |
| Photo-Me Intl | fin | 3.3 | Jan 3 | 3.2 | 4.8 | 4.6 |
| Pittards | int | 0.75 | Jan 4 | nil | - | 1 |
| Spirax-Sarco | int | 3.5 | Dec 5 | 6.6 | - | 9.9 |
| Steel Burrill | int | 3 | Nov 3 | 3 | - | 9 |
| Tibbett/Britten | int | 5 | Nov 11 | 4.5 | - | 14.2 |
| Tilbury Douglas | int | 10.5 | Nov 11 | 10.5 | - | 33 |
| Tor Inv Trust | fin | 10 | Nov 14 | 10 | 40 | 40 |

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Irish pence.

# SBH acquires Kelvin Central in £11.1m deal

**By Caroline Southey**

Kelvin Central, a Scottish bus company sold by Scottish Transport Group to a management buy-out for £1 in 1990, is to be acquired by SBH, the parent company of Strathclyde Buses Group, in a deal which values Kelvin at £11.1m.

For each of their shares, SBH is offering Kelvin shareholders £10 in cash or £10 nominal of loan notes or 10 new SBH shares. Over 53 per cent of Kelvin's shareholders have agreed to accept the offer.

The management buy-out deal in 1990 included a £1m deferred consideration, which Kelvin Central will now repay.

SBH reported pre-tax profits of £2.1m and turnover of £58.2m in the year to March 31. At that date it had net assets of £21.5m. Kelvin Central reported losses of £1.5m on turnover of £27.3m in the year to December 31. At that date it had net assets of £6.2m.



## *The BIEE memorial award for Andrew Holmes*

A fund has been established in memory of the distinguished *Financial Times* journalist and editor of *Power in Europe*, Andy Holmes. The British Institute of Energy Economics (BIEE) is to give an annual research award of £1,000, subject to finding a suitable candidate. The arrangements are being administered by BIEE. The award is open to men and women between the ages of 21 and 35, resident in the United Kingdom, and who are interested in energy issues.

Applicants should submit a two-page original and non-technical research proposal related to energy or to energy and the environment, and likely to lead to a 5,000-10,000 word paper. This proposal should reach the address below by October 31, 1994 with a cover note giving details of address, phone and fax numbers plus university or company affiliation, if any. A shortlist of applicants will then be drawn up and interviewed in London in December. The winner will receive half the money on winning the award and the remainder on completion of the paper. The results will be announced in early 1995.

The aim of the award is to encourage young managers, postgraduates and others to think about the wider issues of energy policy. Topics could include the European Energy Charter, global warming, the impact of China's economic growth on energy demand, policy on the development of alternative transport fuels, the future of nuclear power, third party access to transmission grids etc. These are purely illustrative. The judges do not wish to specify a precise topic, but the subject matter and final essay should be fully comprehensible to a non-scientific or non-technical audience. The winner may be asked to present his or her findings at a BIEE meeting, and the resulting paper may be published in shortened form in the *FT Energy Economist*.

Applications should be sent to: Lucy Plaskett, FT Newspapers, 126 Jermyn St., London SW1Y 4UJ. Fax: 071-411-4415.

# BrightReasons coming to market with £70m tag

By David Blackwell

BrightReasons, the private company which owns the Pizzaland restaurants chain, is planning to come to market after its annual results are published late next month.

The group, which is expected to be capitalised at about £70m, plans to clear its debts of more than £15m and raise a small amount of additional capital in order to maintain its growth rate.

As well as 117 Pizzaland outlets, the group owns a chain of 32 Bella Pasta restaurants and 17 Pizza Piazzas.

Mr Michael Guthrie, group founder and chairman, said yesterday that Pizzaland, which has an average spend of £6 a head, was represented in 80 towns and cities in the UK. There were 100 other places with the right profile to launch a new branch.

Lydia van der Meer

Michael Guthrie: Pizzaland outlets in 80 UK towns and cities

Bella Pasta, which Mr Guthrie claimed was the only pasta chain in the country, could expand to a further 100 sites, and Pizza Piazza to a further 35.

The group made operating profits of £4.07m in the nine months to June 30 on sales of £56.1m. It paid interest of £1.19m.

Mr Guthrie, a former chairman and chief executive of Mecca Leisure, started the group with the purchase of a chain of 136 lossmaking restaurants from Grand Metropolitan for £16m in 1991. A further 44 restaurants were purchased from Rank early last year.

The pizza chain was given a more European feel and a wider range of menu, and returned a small profit in its first year.

Mr Guthrie said the UK market for pizza and pasta restaurants had grown by more than 25 per cent in real terms since 1986, and he expected further strong growth as eating out continued to become more popular.

The main shareholders in BrightReasons are Mercury Asset Management, with 53 per cent, and the management, with 29 per cent.

Some of the management will be selling shares, but Mr Guthrie will not be selling any of his 8½ per cent stake.

Sponsors to the issue will be Samuel Montagu, and UBS is broker.

# Steel Burrill recovers to £3.8m surplus

By Christopher Price

Steel Burrill Jones Group, the insurance and reinsurance group, yesterday returned to the black with pre-tax profits of £3.79m for the first half of 1994 compared with losses of £3.92m.

Mr Christopher Burrill, finance director, said the turnround had been achieved through a restructuring of the business during the last year.

He added that the group's trading profit of £4.39m, before loss on disposal of the group's north American subsidiary, was 25 per cent higher than the £3.52m last time. However, he admitted that "the overall trading environment remains tough."

Turnover slipped 2 per cent to £22.9m (£23.4m). In the London marine market, turnover dropped 13 per cent to £4.95m (£5.69m), while the non-marine business slid 7 per cent to £7.93m (£8.57m).

However, there was an improvement in the retail broking and consultancy business where turnover rose by 2 per cent from £9.91m to £10.2m.

Investment income declined by 34 per cent to £1.92m (£2.9m), with the company blaming lower interest rates "which continued to work through on the group's liquid assets."

The interim dividend is maintained at 3p, payable from earnings per share of 4.66p (7.62p losses).

As a result of the company's restructuring and reorganisation, which involved a charge of £4.39m last time, total expenses fell by 32 per cent to £20.5m (£30.2m).

Mr Burrill said that the benefits of the cost cutting were now being bolstered by the stability in the group's general business, with the non-marine business in particular encouraging.

However, Mr Clive Richards, the chairman, struck a cautious note. "It would be unwise in present market conditions to expect any early underlying increase in brokerage and fee income," he said.

Significant expansion potential for largest UK-owned vehicle maker

# LDV talks on east European link

By John Griffiths

LDV, the Birmingham-based van maker rescued from last year's crash of the Anglo-Dutch DAF commercial vehicles group, is in advanced negotiations for its vans to be assembled in eastern Europe and for the resumption of exports to west European markets.

A successful outcome for both sets of talks would provide significant expansion potential for LDV, which has become the biggest UK-owned vehicle maker as a result of the sale to BMW of Rover Group.

As Freight Rover, LDV was itself part of the formerly UK state-owned Rover Group until being hived off to DAF in 1987.

LDV yesterday disclosed a further rise in profits and production levels, having already added 200 jobs since a management-led buy-out from the receivers in April last year.

The near 1,200 employees at the Washwood Heath plant were told that LDV made a pre-tax profit of £3.3m on a £72m turnover in the six months to June, compared with £3.6m on £80m in the company's first eight months of operations last year.

With the UK's light commercial vehicles market continuing on a firm recovery course - sales are up 16 per cent so far this year - predictions made by LDV that it would achieve a £150m turnover this year are already appearing conservative.

The company, whose £40m buy-out was backed by the 3i venture capital group, Royal Bank of Scotland and United Dominions Trust, is investing £30m in improving manufacturing facilities and developing the Bulldog, a replacement for its existing van ranges which will appear in about 18 months' time.

LDV's own UK sales were up 25 per cent in the first eight months of the year and it has twice increased output rates. The plant is currently producing 300 vans a week, compared with 200 in March, and total production this year is expected to reach 12,500 compared with a claimed break-even level of 9,000. LDV's UK current market share of around 12 per cent compares with just over 6 per cent at the time of the buy-out.

Agreement with LDV's as yet unnamed east European partner could be finalised within three or four months, after nearly a year of negotiating, Mr Allan Amey, LDV's chief executive, said yesterday. The intended production site is understood to be in one of the former eastern block countries like Hungary or Czechoslovakia rather than Russia itself.

LDV is also negotiating with three prospective distributors of its vehicles in western Europe, including DAF Trucks, the Dutch commercial vehicle operations rescued by the Dutch and Belgium governments from the original DAF group's wreckage.

Before DAF collapsed in January last year, up to 7,000 of the Birmingham-built vans were being sold each year through its continental European dealerships.

LDV's intention is to conclude a west European distribution deal within six months, said Mr Amey, who in February was voted Midlands "businessman of the year". Continental Western Europe should be able to provide LDV with at least another 4,000 to 5,000 sales a year, according to Mr Amey. He refused to disclose the potential size of the east European venture but said: "We're getting pretty excited about it."

About 5 per cent of LDV's output is already exported, mainly outside Europe, and an assembly venture in South Africa is currently being explored.

# British Steel in east Asian expansion

By Andrew Baxter

British Steel is continuing its expansion in east Asia, destined to be the main growth market for steel over the next decade, through the signing of a joint venture to establish a steel roll forming facility in Kuala Lumpur.

European Profiles, a British Steel subsidiary, is linking with Zelleco Holdings, a large Malaysian construction company. It brings the number of operations in British Steel's Asia-Pacific network to 12.

It recently opened an office in Ho Chi Minh City, Vietnam, and exports to the region are continuing to grow.

European Profiles, based near Swansea, is one of two profiling companies bought by British Steel from RTZ earlier this year. It has been exporting profiled steel cladding to the east Asia for 12 years.

The new company, to be called European Profiles (Malaysia), will use steel from South Wales as its raw material.

Profiled steel cladding is used in the construction of power stations, and the new company's first order will be to supply 85,000 sq m of cladding to a power station project in Surabaya, Indonesia.

Financial details of the joint venture were not disclosed. It comes less than a week after British Steel announced a restructuring of its profiling operations in the UK in response to overcapacity problems.

A profiling plant at Newton Aycliffe, County Durham, will close with the loss of 56 jobs, and production will be concentrated at the two former RTZ plants.

# Exco on target with £28m but third quarter 'subdued'

By Simon Davies

Exco, the moneybroking company that returned to the stock market in July, yesterday announced profits in line with prospectus forecasts, but said that trading in the third quarter of the year had remained "subdued."

Pre-tax profits for the six months to June 30 rose by 31 per cent from £21.4m to £28m, marginally higher than the £27.5m forecast.

There were substantial increases in the contribution from the three moneybroking businesses of spot foreign exchange, money markets and derivatives, while the fixed income securities broking continued to grow.

The company said that "banks around the world [are] adopting a more cautious approach to trading," and there had been little sign of recovery from the summer lull.

Exco operates a global business, but the bulk of earnings growth came from Europe, where operating profit more than doubled to £9.59m (£4.35m), aided by newly-acquired CMS, in Zurich.

North America remained the largest contributor, with profits of £12m, up from £10.2m. Asia Pacific showed a marginal decline to £5.32m (£5.78m), reflecting uncertainty in Japan.

Turnover overall rose 22 per cent from £103m to £126m, while operating costs rose to £100m (£85.2m).

Earnings per share rose 25 per cent to 11.9p (9.5p). A delayed interim dividend will be paid in mid-January, representing a part payment of the final dividend.

# Pittards back into the black at £1.1m midway

The closure of its clothing business enabled Pittards, the leather manufacturer, to return to the black with profits of £1.06m for the first half of 1994, compared with losses of £310,000.

Operating profits were £1.85m, against £635,000 which included losses of £837,000 on discontinued activities. In addition, the comparable pre-tax figure was struck after closure losses of £135,000.

Mr David Macdonald, chairman, said the outlook for the rest of the year was mixed. The gloving division had a reasonably full order book at satisfactory margins but the shoe and leathergoods side would continue to struggle with expensive raw material.

Turnover was £61.1m (£58.5m), including £307,000 (£8.34m) from discontinued activities. Earnings per share came out 3.6p (2.2p losses) and an interim dividend of 0.75p (nil) is declared.

# Dragon Oil seeks £9.7m for Asian expansion

Dragon Oil, the Dublin-based exploration company, is seeking £9.7m through a placing and rights issue to expand its interests in east Asia.

As a result Sinoil Asia, a Hong Kong-based company, will take a stake of up to 26.9 per cent and four prominent Asian businessmen will join the board.

The company also reported post-tax profits of $39,000 (£25,000) for the eight months to June 30 against losses of $192,000 for the six months to April 30 1993. Turnover was $4.01m ($97,000).

A total of 165m units, consisting of two shares and one warrant, are being placed initially with Sinoil at 4p.

Sinoil will be able to subscribe for a further 120m shares at 2p.

An underwritten rights issue is offering 56.9m units on the basis of one unit at 4p for every 26 ordinary shares held.





Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| 1/2 hour period ending | Provisional Price for Trading on 22.09.94: Pool purchase price £/MWh | Final Prices for Trading on 21.09.94: Pool purchase price £/MWh | Final Prices for Trading on 21.09.94: Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 9.94 | 13.30 | 16.30 |
| 0100 | 9.94 | 10.73 | 13.73 |
| 0130 | 9.94 | 10.73 | 13.73 |
| 0200 | 11.07 | 10.73 | 13.73 |
| 0230 | 12.35 | 10.73 | 13.73 |
| 0300 | 12.35 | 10.73 | 13.73 |
| 0330 | 11.07 | 10.73 | 13.73 |
| 0400 | 9.94 | 10.73 | 13.73 |
| 0430 | 9.94 | 10.73 | 13.73 |
| 0500 | 9.94 | 10.73 | 13.73 |
| 0530 | 8.66 | 10.55 | 10.55 |
| 0600 | 9.95 | 10.45 | 10.45 |
| 0630 | 12.90 | 11.05 | 14.05 |
| 0700 | 17.87 | 15.50 | 18.49 |
| 0730 | 16.67 | 17.89 | 20.88 |
| 0800 | 18.12 | 17.65 | 20.65 |
| 0830 | 18.16 | 17.67 | 20.68 |
| 0900 | 18.21 | 18.18 | 21.20 |
| 0930 | 18.21 | 19.08 | 22.10 |
| 1000 | 18.22 | 31.33 | 34.38 |
| 1030 | 18.21 | 18.14 | 22.20 |
| 1100 | 18.21 | 19.19 | 22.27 |
| 1130 | 18.25 | 19.31 | 22.43 |
| 1200 | 18.29 | 31.63 | 34.77 |
| 1230 | 18.26 | 31.61 | 34.74 |
| 1300 | 18.19 | 19.24 | 22.33 |
| 1330 | 18.02 | 19.06 | 22.12 |
| 1400 | 17.44 | 18.19 | 21.21 |
| 1430 | 17.43 | 17.70 | 20.72 |
| 1500 | 17.43 | 18.16 | 21.17 |
| 1530 | 17.42 | 18.16 | 21.17 |
| 1600 | 17.44 | 18.17 | 21.19 |
| 1630 | 17.46 | 18.19 | 21.22 |
| 1700 | 28.06 | 18.21 | 21.24 |
| 1730 | 28.04 | 18.18 | 21.21 |
| 1800 | 28.02 | 18.16 | 21.16 |
| 1830 | 18.53 | 17.66 | 20.66 |
| 1900 | 16.60 | 16.52 | 19.52 |
| 1930 | 27.93 | 16.52 | 19.52 |
| 2000 | 35.00 | 12.95 | 12.95 |
| 2030 | 34.99 | 16.62 | 19.62 |
| 2100 | 34.97 | 28.66 | 31.65 |
| 2130 | 19.57 | 28.66 | 31.65 |
| 2200 | 19.57 | 28.66 | 31.65 |
| 2230 | 16.79 | 22.36 | 25.35 |
| 2300 | 16.60 | 16.40 | 19.40 |
| 2330 | 14.04 | 15.50 | 18.48 |
| 2400 | 12.40 | 15.60 | 18.69 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.60/MWh becomes 1.86p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-[illegible] between 8:30am and 5:15pm Monday to Friday.
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# Aerostructures shares dive 50p after warning

By David Blackwell

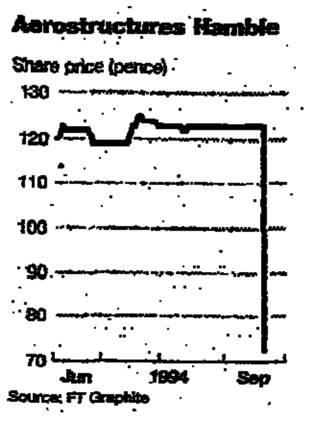
Shares in Aerostructures Hamble, the former British Aerospace aircraft components subsidiary floated last May, nosedived yesterday after a trading statement warned of difficulties with several contracts.

The shares, issued at 120p, fell by 50p to close at 73p.

At the time of the float, four of the directors involved in the 1990 management buy-out from BAe sold 2.9m shares worth almost £3.5m. Mr Andy Barr, the chief executive, who retained a 5.93 per cent stake, sold 1.45m shares.

Yesterday's statement – described by one City analyst as "nebulous" – opened with a bald statement that British Aerospace, Aerostructure's biggest customer, had "published its interim results this morning."

Aerostructures – chaired by Lord King – has been working to reduce its dependency on its former owner, which accounted for 93 per cent of its business in 1990 and 78 per cent last year. However, the statement did not refer to any particular British Aerospace contract.




The company said that, while trading in the first half was broadly in line with expectations, "operational difficulties encountered recently have led to margins on a number of contracts being placed under pressure," adversely affecting the full-year result.

British Aerospace said yesterday that costs were being cut at the Jetstream and Avro regional passenger aircraft businesses. The intention was to stem losses caused by reduced production volumes because of poor demand. It added that suppliers had agreed to price cuts.

Aerostructures has contracts to build parts for both the Avro RJ/146 regional jet and the Jetstream 61/ATP.

Aerostructures, which will report its interim results early next month, said the board was "acting to rectify the operational problems." It was also "examining the need for further action in the light of the continuing unfavourable conditions in the aerospace sector."

The prospectus, in which the directors described the long-term outlook for the civil aircraft market as "positive," showed that operating profit margins had been lifted from 8.9 per cent in 1991 to 11.3 per cent last year.

One analyst suggested yesterday that if BAe were losing money on its aircraft, it would not be pleased by such high margins at its subcontractors.

# Photo-Me shares dip 20p on fall to £13.9m

By Peter Pearse

The market reacted critically to a fall in headline pre-tax profits at Photo-Me International, marking the shares of the world's largest photo-booth manufacturer and operator down 20p to 235p.

Pre-tax profits fell to £13.9m (£16.2m) in the year to April 30, though the group was keen to stress that operating profits rose, albeit modestly, from £29.5m to £31.3m and that group profits were up at £15.5m (£13.4m), after depreciation of £15.8m (£16.2m).

Below this the devaluation of sterling in the previous year contributed £4.15m to last time's figures, against a mere £93,000 this time.

Further there were exceptional costs of £1.67m arising from the group's merger with KIS of France, which was agreed by PMI's shareholders in February.

Although KIS was part of the group for only for two months, PMI has stated its accounts as if it had been on board not only for the year under review but also the previous 12 months.

Mr Dan David, chairman, said that the merger with KIS, with which PMI had had a three-year relationship previously, had added "a new technological dimension", specifically Argentic, which freezes video images into high quality still photographs.

Mr David Miller, group managing director, added that a 15 per cent increase in revenue was expected from this new technology, derived from 10 per cent cheaper manufacturing costs, more customer choice and lower consumables.

Group turnover declined to £172.4m (£175m), after the sale of two "chunky, but distant" subsidiaries in Australia and New Zealand to local owners. Mr David said, though that they were still contributing to the group's profits.

The group currently has more than 18,000 photo-booths sold and serviced in more than 100 countries, of which PMI has agents in about 70.

Mr David expected the group to have some 19,700 in the current year, including 500 Imagemaker booths, which create larger photos. PMI was also "cautiously excited" by the prospect of photographs on UK driving licences, which should be introduced during 1996.

Earnings per share emerged at 10.26p (11.52p) but the final dividend is lifted to 3.3p (3.2p) for a total payment up 0.2p at 4.8p.

Growth provided by car distribution but difficulties in clothing

# Tibbett & Britten advances 11%

By Simon Davies

Tibbett & Britten, the distribution group, reported an 11 per cent increase in first-half profits, but failed to keep pace with expectations that the UK economic recovery would translate into increased revenues from its core business.

The shares fell 42p to 763p, after Tibbett revealed pre-tax profits of £12.6m (£11.4m) for the six months to July 2, on turnover up 15 per cent to £203m (£177m).

Mr John Harvey, chairman, said that "the present trading environment is tough, with margins generally under pressure." Most brokers marked down 1994 profit forecasts by some £1.5m to a new consensus of £27m.

However, the group's UK business has secured substantial new contracts, from companies including Mars and Jacobs Bakery, which bodes well for next year.

Profits growth for the period came primarily from Silcock Express, the car distributor purchased in late 1992 and strengthened by the purchase of Toleman in March. Divisional profits increased by £1.5m to 5.5m.


John Harvey: trading is tough with margins under pressure

Tibbett & Britten Ltd, the core UK business, fared less well, with profits edging up to £7.1m (£7m). The subsidiary suffered from difficulties in its clothing network.

The group has been making a substantial push overseas, and the UK accounted for 71 per cent of revenues, compared with 97 per cent in 1991.

Tibbett & Britten International increased turnover by 62 per cent. Progress in its three main markets of Canada, South Africa and Portugal helped lift operating profit from £200,000 to £600,000.

Profit margins overseas remained razor thin, but Mr Harvey said this reflected the level of investment in new facilities.

He said the international division should be able to achieve the 6.6 per cent profit margins of the UK, compared with 2 per cent now, but the improvement would be slowed by continuing investment.

Capital expenditure increased from £13.4m to £39m, bringing net borrowings to £33m. Mr Harvey suggested that the year end figure could rise to £55m.

The increase in the interim dividend to 5p (4.5p) is in proportion with earnings per share, up from 17.5p to 19.4p.

● **COMMENT**

The danger with a premium stock market rating, is that investors expect earnings growth to match. Tibbett's shares remain at a 29 per cent premium to the stock market, and parts of its UK business are looking decidedly mature. Profits should hit £27m this year, representing a p/e of 18.3. International expansion offers good longer-term prospects, and the management performance justifies a high stock market rating. However, it does not justify the current level, and the shares are likely to lag in the short-term.

# Tilbury Douglas highlights recovery with 11% rise

By Christopher Price

The recovery in the UK building market was once again highlighted yesterday when Tilbury Douglas, the construction group, reported an 11 per cent increase in pre-tax profits on continuing operations at £6.1m for the first six months of the year.

Overall, the pre-tax figure showed a fall from £12.8m, although this included the £6.8m proceeds from the sale of Douglas Concrete among the exceptional items.

Tilbury's equipment division was the driving force behind the growth, with pre-tax profits there increasing nearly threefold to £1.76m (£593,000) on turnover 17 per cent higher at £14.49m (£12.35m).

Mr Michael Bottjer, chief executive, said that overseas contracts had bolstered the performance, with the group providing the equipment needs for some high profile projects, such as the £10m Ma Wan Viaduct project in Hong Kong.

Within group turnover ahead 18 per cent to £199.07m (£169.35m), construction accounted for £172.12m (£139.62m) – an increase of 23 per cent. However, profits declined 14 per cent to £3.01m (£3.52m). Mr Bottjer blamed tighter margins, although he added that the benefit from the higher turnover would feed through to the profit line during the second half.

Profits in the Scottish housing division fell from £1.36m to £1.3m on slightly improved turnover of £7.58m (£7.37m). Mr Bottjer said the situation remained tough, although he foresaw a slow improvement.

"Providing land prices are reasonably contained, Scottish housebuilding looks set for medium term growth," he said.

Construction work in hand was ahead 10 per cent at £215m, with mainstream building and specialist contracting showing improved order books.

Contracting in the civil engineering business was stalled by concerns in the water industry over regulatory issues, but the company expects work to begin picking up, following the recent issue of the Ofwat report.

The interim dividend was held at 10.5p, with the company expecting to pay a maintained total of 33p. Earnings per share came to 11.9p, against 26.9p.

The shares responded positively, closing 15p ahead at 563p.

# Fluctuating milk prices behind Golden Vale fall

By Caroline Southey

Fluctuations in milk prices led to a 52 per cent drop in pre-tax profits at Golden Vale, the Irish diary group, although acquisitions lifted turnover at the interim stage.

In the six months to June 30, pre-tax profits fell from I£9.14m to I£4.43m (£4.37m). Operating profits fell from I£10.03m to I£5.61m, which included a reorganisation charge of £1.52m.

Turnover increased by 39 per cent from I£184.5m to I£256.1m, including a I£77.9m contribution from acquisitions. Sales in the dairy and food products division were down from I£164m to I£154.6m.

Mr Jim O'Mahony, chief executive, reiterated a warning first issued in June that pre-tax profits for the full year would fall by a third.

The share price, which shed 30 per cent after the first profits warning, closed up 2p at 57p yesterday.

He said however, that the doubling of the company's processed cheese business as a result of acquisitions, as well as the integration of its UK sales and distribution businesses, provided a sound basis for medium-term development.

The fall in profits was caused by a number of factors, he said. The imbalance between the price paid to suppliers for milk and the market price of products caused a I£2m drop in the contribution to operating profits from milk. However, production efficiencies and improved margins produced a I£800,000 contribution from milk related products.

A decline in volumes affected the contribution from processed cheese which fell by I£700,000, while a reduction in margins in spreads cut that division's contribution by I£600,000.

An unchanged interim dividend of 0.6p was declared. Earnings per share fell from 4.66p to 2.3p.

Acquisition talks with Vonkpol in Poland and Haslington in the UK had been abandoned, Mr O'Mahony said.

# Dencora rises sharply to £905,000

A sharp rise in pre-tax profits from £370,000 to £905,000 was announced by Dencora, the property group, for the six months to June 30.

Turnover grew to £13.3m (£10.4m) with rental income slightly down at £4.44m (£4.57m) reflecting the sale of two investment properties and other commercial property held for trading purposes.

Mr John Bushell, the chairman, said the lettings market had continued to improve. As vacant space in the market was absorbed conditions would increasingly favour an increase in development activity, he added.

Net interest payable was £2.73m (£3.02m). Earnings amounted to 2.3p (0.6p).

# Gas production rise helps Seafield leap to £1.08m

By Peggy Hollinger

A sharp jump in gas production helped Seafield Resources, the USM-quoted exploration company, to announce a fivefold increase in net profits from £216,000 to £1.08m for the six months to June 30. Turnover rose 40 per cent from £3.01m to £4.2m.

The company warned that annual profits would not show such a substantial rise, owing to the nature of its gas contracts. The profits had been helped by a 60 per cent increase in production from its main producing asset, the Victor field. However, this was sold at an average annual rate and so profits in the UK were expected to be similar to those achieved last year.

Profits were also helped by higher gas prices and lower losses in the US after disposals. Earnings per share rose from 0.4p to 2.1p. As in previous years, there was no interim dividend.

Mr Roger Witts, finance director, said the group was encouraged by its exploration success so far this year. Seafield made its second discovery on the 21/16 North Sea block and won an interest in neighbouring acreage that was "potentially very significant for the company".

Seafield plans to participate in the drilling of a further 16 wells in the UK and overseas before the end of 1995. The drilling activity is expected to erode the group's net cash position, although it Mr Witts said it would "remain cash positive" at the year-end. The Schooner field, in which Seafield has a 0.69 per cent fixed equity interest, is on track to produce its first gas in 1996.

## NEWS DIGEST

### Arcolectric surges to £453,726

Investments made last year in new products and machinery have begun to bear fruit at Arcolectric Holdings.

Pre-tax profits at the electrical components company more than tripled in the six months ended June 30, from £120,976 to £453,726, as turnover increased 18 per cent from £5.71m to £6.76m.

Earnings per share also increased more than threefold, from 1.27p to 4.27p. The interim dividend is 0.6075p (0.555p).

The company said that even with tougher competition exports rose by up 25.3 per cent and home sales were 7.7 per cent higher.

### Henderson EuroTst shows improvement

Henderson EuroTrust, a split level investment trust, raised net asset value by 10.6 per cent from 126.98p to 140.44p in the year ended July 31.

Net revenue for the year was £679,000 (£841,000 for 14 months) and earnings per share came to 3.86p (4.84p). The final dividend is 1.85p, making a total of 3.35p (3.2p).

### Kleinwort Devpt lifts net asset value

Kleinwort Development Fund raised net asset value per share by 24 per cent from 354.92p to 439.85p in the 12 months to July 31 1994.

After administration expenses of £456,658 (£381,525) revenue before tax came to £1.02m (£842,241).

The dividend for the year has been raised by 5 per cent to 11p (10.5p), including a final of 8.25p. Earnings per share were 12.95p (10.29p).

### Martin Currie Pacific assets rise

The six months to August 31 at Martin Currie Pacific Trust ended with net asset value at 169.4p, up 21 per cent from 140.4p 12 months earlier.

Income totalled £637,000 (£875,000). After interest and management expenses totalling £541,000 (£641,000) net revenue was £46,000 (£168,000).

Earnings per share worked through at 0.12p (0.41p).

### Tor net asset value improves to £14.89

The net asset value per share of Tor Investment Trust, the split capital investment trust, rose from £13.60 to £14.89 at July 31, an increase of 9.5 per cent.

Net revenue for the year was up 11 per cent from £1.32m to £1.47m.

Earnings per income share were 36.28p (32.69p) and the dividend is maintained at 40p with a proposed 10p final. Some £149,000 has been transferred from revenue reserves.

# Dalgety expands in pet food with Spanish buys

By David Blackwell

Dalgety, the food and agribusiness group that owns Spillers, yesterday bought two privately owned Spanish pet food companies as part of its strategy of expanding its European pet food business.

Last week, announcing a 7 per cent rise in pre-tax profits to £120.1m for the year to end June, the group said it would be seeking more acquisitions in continental Europe, where it will be focusing on food ingredients and pet foods.

The price of the Spanish deal was not revealed, but the group is thought to have paid close to the two companies' combined annual turnover of £17m. Their combined assets are £11m and operating profits £1.8m.

Mr Richard Clothier, Dalgety chief executive, said the group had had no presence in Spain, where the pet food market is growing fast. Nido Industrial and Pet-Bon were well known brands, particularly in bird food.

Last year, Dalgety paid £42m for BP's Paragon Petcare, giving it access to the French, German, Dutch and Belgian markets.

# Waverley loss at £259,445

Waverley Mining Finance, the mining investment company which has changed its year end to June, reported pre-tax losses of £259,445 for the period to June 30. For the year to March 31 1993 there were losses of £63,411.

The company said this reflected the cost of professional advisers retained during the takeover of Westralian Resource Projects in March 1994 and the "technical assessment" of unquoted investment opportunities.

Losses per share rose to 1.8p (0.6p).

Net asset value per 5p share was 40.9p at June 30 compared with 33p at March 31 1993.

## COMMODITIES AND AGRICULTURE

# Resistance caps rises in precious metals markets

By Richard Mooney

Gold and silver prices made further gains yesterday before hitting overhead resistance.

During the London bullion market's afternoon "fixing" the gold price was tried as high as $395.50 a troy ounce, but that proved to much and it eased to $394.90, the highest fix since January 5. By the close the price had drifted to $394.60 an ounce, up 80 cents on the day.

In the absence of the Tokyo investment fund buying that had pushed the price upwards on Tuesday a day of consolidation was to be expected, dealers told the Reuters news agency. Some thought a retreat to the $390.50-$391.00 area, where a "chart gap" had been left by Tuesday's sharp rise, was on the cards if the market failed to break strong resistance above $395.50. But others pointed to good physical interest supporting the market around $393.

The silver price was fixed in the morning at 567.15 cents a troy ounce, its highest price since May 24, but it shied away from a test of resistance at 570 cents resistance and settled back to 562 cents, up just 2 cents on balance.

One analyst suggested to Reuters that the attempted break-outs by gold and silver had come too early in the day. "It leaves them open to retracement," he said.

Palladium achieved its highest fixing since May 15, 1989 at $156.25 an ounce, encouraged by tight supplies and continuing good offtake from the electronics industry.

"The market's fundamentals are the key," said one analyst.

The platinum market was also buoyant, although it was held within its recently-set price range.

# Stop-go producers put jute workers through the mill

## A West Bengal union is striving to get one of the 'black sheep' operations reopened, writes Kunal Bose

For many years anarchy has reigned in some jute mills in West Bengal, where most of India's jute industry is concentrated.

These "black sheep" mills, as the Indian Jute Mills Association describes them, produce jute goods only when the market is favourable. But while this stop-go management approach causes economic hardship to the workers it does not provoke strong protests from the trade unions as the migrant workers from Bihar, Uttar Pradesh and Orissa who constitute the majority of the labour force return to their villages during the frequent closures of the mills to work in the fields.

The recalcitrant mills broke away from the IJMA one by one because they would not submit to any kind of discipline. According to an IJMA official, "a tripartite agreement involving the industry, the unions and the West Bengal government spells out the wages and other benefits of the workers. But some jute mill managements will have nothing to do with this agreement. They make deals with the union leaders at the mill level to deny the workers full wages. Moreover, they habitually default in the payment of provident fund and gratuity to the workers".

The association is angry with these mills for causing distortions in the local jute goods market. Taking advantage of their lower costs of production compared with the IJMA members, they have been regularly offering discounts against the listed prices of jute goods. "The losers are the ones which are meeting the dues of the workers in full," complains the IJMA official.

Even though the Left Front, dominated by the Marxist Communist Party of India, has been in power in West Bengal for nearly 18 years, the government has done little to give relief to the workers or to the mills remaining within the IJMA fold.

The problem has now become a major national issue, however, much to the embarrassment of the Left Front government, because of the relentless struggle by over 3,000 workers of Kanoria Jute over the past nine months to get the mill at Phuleswar reopened. The mill is closed on November 26 last year. Unlike in the other jute mills in the state, an overwhelming majority of workers of Kanoria Jute hail from the surrounding 32 villages. "Since the Kanoria workers have nothing else to fall back upon, they are working to a one-point programme of reopening the mill on respectable terms," says Mr Purnendu Bose, a member of the advisory committee of the Kanoria Jute Fighting Workers Union.

These workers have set quite a few milestones in West Bengal's trade union movement. "KJFWU was formed in February last year when the workers found that the four registered unions, including two owing allegiance to the Left Front government were not able to protect their interests," explains Mr Nasibur Rahman, its general secretary. "The new union, born because of sins of omission of the existing unions, enjoys the support of more than 90 per cent of the workers."

Although the KJFWU leaders insisted that they wanted to avoid "a confrontation with the state authorities and the other unions at all cost", they made the big mistake of forcing their way into the mill and starting production of jute goods using the raw jute lying in the godown. The Calcutta High Court ordered the KJFWU to desist from producing and selling jute goods.

Mr Jyoti Basu, chief minister of West Bengal and an active trade union leader, has made it clear that the forcible takeover of the mill offers no solution to the Kanoria Jute crisis. "Such moves will only confuse the workers," he warns. The minister is not finding it at all easy to attract industrial investment to West Bengal and he knows only too well that a few more cases of forcible takeover of factories by the workers would scare away the potential investors.

Moreover, he cannot but take note of the humiliation suffered by the Marxist union at Kanoria Jute.

The mill is also a major embarrassment for the Kanorias, an important Indian business family that is successfully running three other jute mills – Ludlow, Cheviot and Reliance – besides other industrial operations.

The Kanorias bought the mill from the Mafatlals in 1974 and ran it till September 1987, when a lockout was declared. Unlike the other three mills, Kanoria Jute was not modernised. Neither did it take up production of high added value jute materials. Like so many other sick jute mills in West Bengal, Kanoria was taken over by a raw jute trader, who before reopening the unit in January 1991 made the unions agree to a cut in wages and a reduced workforce. The state government did not oppose the move as it wanted the mill to be reopened somehow.

Anticipating prolonged labour unrest, the Kanorias pleaded with the new promoter to change the name of the jute mill. The fear of the Kanorias had come true, but the name of the mill remains unchanged.

Aberrations like the futile attempt forcibly to take possession of the mill notwithstanding, the KJFWU is doggedly pursuing with the federal and state government and the Bureau of Industrial and Financial Reconstruction its demand for the reopening of the mill. According to Mr Rahman, "the existing promoter is welcome to run the mill provided he clears all past dues of the workers and respects the labour laws. The mill may be handed over to a new promoter if the existing promoter does not want to run it. We will be happy if the government takes over the unit. We are also ready to run the mill as a workers' co-operative or as a joint venture with a private promoter".

Both the federal government and the BIFR are well disposed to the idea of a new promoter contributing 60 per cent of the equity capital and the workers bringing in 40 per cent. In fact, the government has indicated that it may give loans to the workers equivalent to their contribution to the equity capital.

A professional with many years of experience in jute has agreed to play the role of the new promoter and he is acceptable to the KJFWU.

In the meantime, the KJFWU has been able to mobilise the support of the intellectuals all over the country for the Kanoria workers' movement. "We have not put forward any new economic demands. We want the mill to be reopened and run professionally. The workers must get their dues and be able to work with dignity," says Mr Bose.

Perhaps the mill will reopen. But unless the new management is able to modernise the factory, introduce new products and improve productivity, there will be no future for Kanoria Jute.

# Western Mining joins Cuban nickel venture

By Nikki Tait in Sydney

Western Mining Corporation, the Australian resources group, announced yesterday that it had reached agreement in principle with Cuba's state-owned Commercial Caribbean Nickel company, to assess and possibly develop the Pinares de Mayari West nickel deposit.

The deposit lies in the Holguin province. WMC said that preliminary data on the near-surface deposit provided by CCN suggested "a significant nickel laterite resource estimated to contain in excess of 300m tonnes of ore, at a grade of greater than 1 per cent contained nickel and 0.1 per cent contained cobalt".

WMC will be able to earn a 65 per cent interest in the joint venture, by funding a drilling programme, metallurgical test work, and a feasibility study, with CCN holding the remaining 35 per cent. The drilling programme could start in a matter of months.

Several Canadian mining companies – including Sherritt, the nickel and cobalt producer – have unveiled plans or joint ventures in Cuba recently, and others are believed to be seeking a foothold there. US companies are barred by the longstanding trade embargo. Cuba is relatively rich in resources and some estimates suggest that it may house over one-tenth of the world's known nickel resources. WMC has major nickel operations in Western Australia.

# Indian sugar output forecast to rise by 24%

By Shiraz Sidhva in New Delhi

India's sugar production will rise by 24 per cent this year to 9.8m tonnes, reversing the steady decline of the past three years, according to the food ministry. A further spurt is expected to push output to 12.2m tonnes in the next sugar season starting in October.

The increase in production comes as the nation's sugar industry launched a campaign for complete deregulation of the sugar market.

The Indian Sugar Mills Association believes that production could rise to 13m tonnes if the industry were deregulated. This could save Rs20bn (£400m) a year in wasted output and import bills.

Isma has been galvanising public opinion by placing large advertisements in India's daily newspapers urging the public to support the reforms they have suggested to the government, beginning with a policy of complete deregulation for the sugar industry.

The association estimates that half of the money lost through current policies "goes down the drain", in the form of sucrose left unrecovered by some processors.

"Unfortunately, this happens in a scenario where the established capacity of sugar manufacturers is left unutilised, due to a lack of cane," Isma says. Another Rs10bn goes on import costs, caused by the production shortfalls of sugar units.

An equitable distribution of cane between all processors would minimise the diversion of cane, and allow production units fully to utilise capacity and expand further to take advantage of economies of scale, which would in turn, bring down sugar prices.

The association has also urged the government to announce a clear-cut policy on the creation of buffer stocks when there is a bumper crop, for effective utilisation during times of shortage.

An official of the food ministry said the government was examining the proposals forwarded by the association. "But it will be some time before the sugar industry can be fully decontrolled," he said.

"The government would be exposing itself to rampant inflation if this essential commodity were out of its control," the official said.

The government currently distributes sugar through subsidised public distribution and a system of ration cards. Though sugar is freely available on the open market, the price difference is significant.

The association says decontrol will stabilise prices and decrease the disparity between the price of sugar for public distribution, and free market sugar prices.

MARKET REPORT

# Coffee futures rally

COFFEE futures closed firmer in London yesterday after a choppy run marked by producer selling and trade and arbitrage buying, dealers said.

"The market was erratic in thin trade but it did perform better than expected this morning," one said. By the close the November position at the London Commodity Exchange, which had earlier dipped to $4,053 a tonne, stood at $4,091, within $9 of the day's high.

The latest weather forecast from the US-based Weather Services Corporation, which said Brazil's hot, dry weather was expected to continue through the next five days, added a sense of urgency to the market, a trader said.

A mid-afternoon rise in London Metal Exchange base metals was not maintained and when COPPER stalled most other prices lost their way.

Three months ALUMINIUM recorded a fresh 3¾-year high of $1,624 a tonne before profit-taking and speculative selling snuffed out the move.

NICKEL prices mostly fluctuated in line with the overall trend. LEAD continued to make slow progress back up to the $630-a-tonne level and another attempt at recent 2-year highs.

Compiled from Reuter

## COMMODITIES PRICES

### BASE METALS

**LONDON METAL EXCHANGE**

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1600-01 | 1623.5-4.5 |
| Previous | 1592.5-3.5 | 1616-7 |
| High/low | 1598 | 1624/1616 |
| AM Official | 1597.5-8.0 | 1619.5-20 |
| Kerb close | | 1621-2 |
| Open int. | 254,740 | |
| Total daily turnover | 59,031 | |

■ ALUMINIUM ALLOY ($ per tonne)

| | | |
|---|---|---|
| Close | 1633-8 | 1653-8 |
| Previous | 1610-5 | 1632-4 |
| High/low | | 1655/1645 |
| AM Official | 1625-30 | 1645-50 |
| Kerb close | | 1650-3 |
| Open int. | 2,979 | |
| Total daily turnover | - | |

■ LEAD ($ per tonne)

| | | |
|---|---|---|
| Close | 611-2 | 625-6 |
| Previous | 610.5-1.5 | 625.5-6.0 |
| High/low | | 627/625 |
| AM Official | 610.5-11.0 | 624-4.5 |
| Kerb close | | 624-6 |
| Open int. | 41,433 | |
| Total daily turnover | 3,893 | |

■ NICKEL ($ per tonne)

| | | |
|---|---|---|
| Close | 6435-45 | 6535-40 |
| Previous | 6420-30 | 6520-5 |
| High/low | | 6560/6525 |
| AM Official | 6425-30 | 6530-35 |
| Kerb close | | 6530-5 |
| Open int. | 67,918 | |
| Total daily turnover | 14,919 | |

■ TIN ($ per tonne)

| | | |
|---|---|---|
| Close | 5310-20 | 5390-95 |
| Previous | 5240-60 | 5320-40 |
| High/low | | 5395/5345 |
| AM Official | 5271-3 | 5350-55 |
| Kerb close | | 5390-95 |
| Open int. | 16,894 | |
| Total daily turnover | 4,576 | |

■ ZINC, special high grade ($ per tonne)

| | | |
|---|---|---|
| Close | 1001.5-2.0 | 1025-6 |
| Previous | 1003.5-4.5 | 1027-8 |
| High/low | | 1029/1019 |
| AM Official | 1000.5-1.0 | 1024-4.5 |
| Kerb close | | 1024-5 |
| Open int. | 96,616 | |
| Total daily turnover | 19,340 | |

■ COPPER, grade A ($ per tonne)

| | | |
|---|---|---|
| Close | 2518-9 | 2537-8 |
| Previous | 2509-10 | 2528-9 |
| High/low | 2516 | 2541/2525 |
| AM Official | 2516.5-17 | 2533-34 |
| Kerb close | | 2538-9 |
| Open int. | 212,734 | |
| Total daily turnover | 71,694 | |

■ LME AM Official £/$ rate: 1.5769
LME Closing £/$ rate: 1.5752

Spot:1.5778 3 mths:1.5750 6 mths:1.5713 9 mths:1.5645

■ HIGH GRADE COPPER (COMEX)

| | Close | Day's change | High | low | Open int | Vol |
|---|---|---|---|---|---|---|
| Sep | 122.15 | -0.25 | 122.80 | 121.70 | 3,347 | 803 |
| Oct | 118.75 | +0.10 | 118.80 | 118.40 | 1,999 | 164 |
| Nov | 117.60 | -0.05 | - | - | 718 | 9 |
| Dec | 117.00 | -0.20 | 117.80 | 116.50 | 42,900 | 5,962 |
| Jan | 116.45 | -0.20 | 116.00 | 116.00 | 593 | 20 |
| Feb | 115.90 | -0.20 | - | - | 456 | 13 |
| Total | | | | | 59,698 | 7,799 |

### PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

| Gold (Troy oz.) | $ price | £ equiv. |
|---|---|---|
| Close | 394.40-394.80 | |
| Opening | 393.90-394.30 | |
| Morning fix | 394.80 | 250.381 |
| Afternoon fix | 394.90 | 250.476 |
| Day's High | 398.30-396.70 | |
| Day's Low | 393.30-394.30 | |
| Previous close | 393.60-394.00 | |

Loco Ldn Mean Gold Lending Rates (Vs US$)

| | | | |
|---|---|---|---|
| 1 month | 4.44 | 6 months | 4.68 |
| 2 months | 4.47 | 12 months | 5.05 |
| 3 months | 4.52 | | |

| Silver Fix | p/troy oz. | US cts equiv. |
|---|---|---|
| Spot | 359.55 | 567.15 |
| 3 months | 364.60 | 574.10 |
| 6 months | 370.00 | 581.10 |
| 1 year | 384.95 | 599.55 |

| Gold Coins | $ price | £ equiv. |
|---|---|---|
| Krugerrand | 393-396 | 252-255 |
| Maple Leaf | 405.25-407.60 | - |
| New Sovereign | 90-93 | 58-61 |

### Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Open int | Vol. |
|---|---|---|---|---|---|---|
| Sep | 394.1 | +0.5 | 395.0 | 395.0 | - | - |
| Oct | 394.6 | +0.5 | 396.4 | 394.1 | 6,377 | 481 |
| Nov | 396.2 | +0.5 | - | - | - | - |
| Dec | 397.8 | +0.6 | 399.7 | 397.4 | 105,445 | 63,838 |
| Feb | 401.1 | +0.6 | 402.5 | 400.8 | 15,416 | 2,038 |
| Apr | 404.6 | +0.7 | 405.9 | 404.3 | 6,677 | 1,469 |
| Total | | | | | 174,846 | 69,675 |

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

| | | | | | | |
|---|---|---|---|---|---|---|
| Oct | 419.5 | -1.2 | 422.9 | 418.1 | 10,544 | 4,758 |
| Jan | 423.9 | -1.2 | 427.4 | 422.5 | 9,792 | 1,622 |
| Apr | 427.3 | -1.2 | 430.5 | 429.5 | 2,464 | 17 |
| Jul | 430.8 | -1.2 | - | - | 466 | 3 |
| Oct | 433.5 | -1.2 | 436.0 | 436.0 | 278 | - |
| Total | | | | | 23,544 | 6,400 |

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

| | | | | | | |
|---|---|---|---|---|---|---|
| Sep | 155.25 | -2.10 | - | - | 34 | 4 |
| Dec | 156.25 | -2.10 | 159.50 | 156.00 | 5,814 | 2,235 |
| Mar | 157.00 | -2.10 | 159.25 | 158.00 | 1,003 | 30 |
| Jun | 158.00 | -2.10 | - | - | 152 | - |
| Total | | | | | 7,003 | 2,269 |

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

| | | | | | | |
|---|---|---|---|---|---|---|
| Sep | 560.6 | -0.6 | 564.0 | 560.5 | 262 | 8 |
| Oct | 561.9 | -0.8 | - | - | 7 | - |
| Nov | 563.7 | -0.8 | - | - | 89,012 | 33,540 |
| Dec | 566.2 | -0.8 | 571.0 | 564.0 | 58 | 1 |
| Jan | 568.7 | -0.8 | 572.0 | 569.0 | 9,468 | 655 |
| Mar | 574.6 | -0.7 | 579.5 | 573.0 | 4,323 | 74 |
| Total | | | | | 115,191 | 35,484 |

### ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

| | Latest price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Nov | 17.23 | -0.08 | 17.32 | 17.12 | 96,129 | 52,145 |
| Dec | 17.40 | -0.04 | 17.47 | 17.30 | 61,815 | 14,114 |
| Jan | 17.53 | -0.03 | 17.57 | 17.45 | 38,647 | 8,496 |
| Feb | 17.63 | - | 17.63 | 17.55 | 20,750 | 3,397 |
| Mar | 17.66 | -0.03 | 17.70 | 17.60 | 15,890 | 2,887 |
| Apr | 17.71 | -0.02 | 17.71 | 17.68 | 11,261 | 1,221 |
| Total | | | | | 390,244 | 115,47 |

■ CRUDE OIL IPE ($/barrel)

| | Latest price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Nov | 16.14 | +0.01 | 16.18 | 15.99 | 61,322 | 16,391 |
| Dec | 16.29 | +0.03 | 16.29 | 16.13 | 31,462 | 5,997 |
| Jan | 16.35 | -0.02 | 16.36 | 16.23 | 12,090 | 1,895 |
| Feb | 16.39 | +0.06 | 16.39 | 16.32 | 7,140 | 2,317 |
| Mar | 16.36 | -0.04 | 16.36 | 16.36 | 6,514 | 1,743 |
| Apr | - | - | - | - | 2,256 | 171 |
| Total | | | | | 125,722 | 31,220 |

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Oct | 47.70 | -0.65 | 47.95 | 47.35 | 29,426 | 15,166 |
| Nov | 48.85 | -0.55 | 49.35 | 48.45 | 26,887 | 8,437 |
| Dec | 50.20 | -0.49 | 50.40 | 49.80 | 39,397 | 7,254 |
| Jan | 51.05 | -0.44 | 51.20 | 50.65 | 26,714 | 1,691 |
| Feb | 51.60 | -0.29 | 51.70 | 51.30 | 14,598 | 637 |
| Mar | 51.20 | -0.24 | 51.35 | 51.20 | 11,467 | 471 |
| Total | | | | | 175,476 | 35,163 |

■ GAS OIL IPE ($/tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Oct | 149.50 | -1.25 | 150.00 | 149.00 | 34,467 | 4,365 |
| Nov | 152.75 | -1.00 | 152.75 | 151.75 | 17,498 | 1,792 |
| Dec | 155.00 | -0.75 | 155.25 | 154.25 | 20,469 | 1,632 |
| Jan | 157.00 | -0.50 | 157.00 | 155.75 | 14,148 | 832 |
| Feb | 157.75 | -1.00 | 158.00 | 156.75 | 4,997 | 382 |
| Mar | 157.75 | -0.75 | 157.75 | 157.75 | 5,198 | 28 |
| Total | | | | | 105,035 | 9,627 |

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

| | Latest price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Oct | 1.505 | -0.051 | 1.565 | 1.501 | 20,861 | 19,464 |
| Nov | 1.785 | -0.030 | 1.825 | 1.785 | 27,284 | 11,378 |
| Dec | 2.035 | -0.015 | 2.060 | 2.035 | 27,595 | 3,285 |
| Jan | 2.090 | -0.007 | 2.110 | 2.090 | 14,945 | 987 |
| Feb | 2.030 | - | 2.045 | 2.030 | 13,147 | 537 |
| Mar | 1.985 | +0.005 | 1.995 | 1.985 | 10,052 | 491 |
| Total | | | | | 160,041 | 37,639 |

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Oct | 45.10 | -0.03 | 45.50 | 44.50 | 19,406 | 11,752 |
| Nov | 45.40 | - | 45.60 | 44.85 | 20,176 | 5,504 |
| Dec | 52.25 | -0.45 | 52.70 | 52.25 | 10,642 | 4,072 |
| Jan | 52.50 | -0.20 | 52.70 | 52.30 | 8,319 | 2,047 |
| Feb | 52.80 | -0.35 | 52.80 | 52.80 | 3,539 | 767 |
| Mar | 54.05 | - | - | - | 1,178 | 277 |
| Total | | | | | 67,318 | 24,616 |

### GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Sep | 108.55 | +0.05 | 108.50 | 108.50 | 83 | 1 |
| Nov | 108.80 | -0.35 | 108.80 | 108.50 | 2,564 | 53 |
| Jan | 108.80 | -0.35 | 109.00 | 108.55 | 1,985 | 74 |
| Mar | 110.70 | -0.45 | 111.00 | 110.50 | 1,229 | 106 |
| May | 112.60 | -0.25 | 113.00 | 112.50 | 1,353 | 23 |
| Jul | 114.55 | -0.45 | - | - | 227 | - |
| Total | | | | | 7,331 | 257 |

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

| | | | | | | |
|---|---|---|---|---|---|---|
| Sep | 384/0 | +1/2 | 385/4 | 382/0 | 215 | 164 |
| Dec | 394/4 | -3/4 | 397/6 | 393/0 | 45,392 | 9,670 |
| Mar | 397/6 | -3/4 | 400/0 | 394/0 | 18,848 | 2,789 |
| May | 385/6 | -3/4 | 381/4 | 384/0 | 2,791 | 422 |
| Jul | 359/4 | - | 362/0 | 359/0 | 3,771 | 838 |
| Sep | 363/6 | +1/6 | 364/0 | 361/4 | 87 | 6 |
| Total | | | | | 74,082 | 13,674 |

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

| | | | | | | |
|---|---|---|---|---|---|---|
| Sep | 219/4 | -7/2 | 219/4 | 216/0 | 1,019 | 2,281 |
| Dec | 217/6 | +0/2 | 218/4 | 217/0 | 138,319 | 22,078 |
| Mar | 227/6 | +0/2 | 228/2 | 227/0 | 40,807 | 3,338 |
| May | 234/6 | - | 235/4 | 234/0 | 16,218 | 871 |
| Jul | 239/2 | - | 239/6 | 239/0 | 16,833 | 2,636 |
| Sep | 242/4 | -0/2 | 243/4 | 242/0 | 1,104 | 15 |
| Total | | | | | 216,164 | 33,726 |

■ BARLEY LCE (£ per tonne)

| | | | | | | |
|---|---|---|---|---|---|---|
| Sep | 102.15 | -0.45 | 102.25 | 102.25 | 31 | 29 |
| Nov | 103.85 | -0.30 | 104.00 | 103.75 | 482 | 15 |
| Jan | 105.85 | -0.20 | 105.85 | 105.85 | 388 | 18 |
| Mar | 108.25 | - | - | - | 100 | - |
| May | 109.90 | - | - | - | 46 | - |
| Total | | | | | 1,047 | 60 |

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

| | | | | | | |
|---|---|---|---|---|---|---|
| Sep | 549/0 | -1/2 | 551/0 | 546/4 | 368 | 1,595 |
| Nov | 556/0 | +0/6 | 557/4 | 552/4 | 78,764 | 20,312 |
| Jan | 565/4 | +0/4 | 567/2 | 562/0 | 18,054 | 2,412 |
| Mar | 576/6 | +2/0 | 577/0 | 572/6 | 9,512 | 1,433 |
| May | 584/0 | +2/6 | 584/4 | 580/0 | 5,262 | 258 |
| Jul | 589/6 | +1/6 | 590/0 | 586/0 | 10,471 | 325 |
| Total | | | | | 126,884 | 27,231 |

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

| | | | | | | |
|---|---|---|---|---|---|---|
| Sep | 25.25 | -0.60 | 25.80 | 25.25 | 524 | 1,547 |
| Oct | 25.02 | -0.27 | 25.37 | 24.85 | 17,235 | 2,910 |
| Dec | 24.57 | -0.17 | 24.85 | 24.51 | 37,083 | 10,069 |
| Jan | 24.38 | -0.17 | 24.65 | 24.33 | 7,654 | 1,201 |
| Mar | 24.24 | -0.08 | 24.45 | 24.15 | 6,130 | 584 |
| May | 24.03 | -0.12 | 24.25 | 24.02 | 4,895 | 291 |
| Total | | | | | 80,039 | 17,054 |

■ SOYABEAN MEAL CBT (100 tons; $/ton)

| | | | | | | |
|---|---|---|---|---|---|---|
| Sep | 166.0 | -4.9 | 170.5 | 166.0 | 551 | 2,832 |
| Oct | 166.9 | +6.5 | 167.3 | 165.7 | 14,379 | 3,861 |
| Dec | 167.4 | +0.7 | 167.5 | 165.5 | 41,983 | 8,441 |
| Jan | 168.6 | +0.6 | 169.0 | 167.5 | 18,017 | 901 |
| Mar | 171.9 | +1.1 | 172.0 | 170.5 | 10,089 | 686 |
| May | 173.8 | +1.3 | 174.2 | 172.8 | 5,749 | 198 |
| Total | | | | | 97,554 | 13,959 |

■ POTATOES LCE (£/tonne)

| | | | | | | |
|---|---|---|---|---|---|---|
| Nov | 150.0 | - | - | - | - | - |
| Mar | 165.0 | - | - | - | - | - |
| Apr | 220.5 | -1.8 | 221.0 | 218.0 | 1,341 | 124 |
| May | 240.0 | - | - | - | - | - |
| Jun | 107.5 | - | - | - | - | - |
| Total | | | | | 1,341 | 124 |

■ FREIGHT (BIFFEX) LCE ($10/index point)

| | | | | | | |
|---|---|---|---|---|---|---|
| Sep | 1600 | +2 | 1600 | 1600 | 286 | 12 |
| Oct | 1635 | +5 | 1637 | 1630 | 774 | 26 |
| Nov | 1633 | +2 | 1635 | 1635 | 145 | 4 |
| Jan | 1583 | +1 | 1585 | 1585 | 629 | 1 |
| Apr | 1595 | +1 | - | - | 387 | - |
| Jul | 1453 | +2 | 1455 | 1455 | 100 | 7 |
| Total | | | | | 2,351 | 44 |

| | Close | Prev |
|---|---|---|
| BFI | 1568 | 1548 |

**Cotton**

LIVERPOOL- Spot and shipment sales amounted to 83 tonnes for the week ended 16 September against 50 tonnes in the previous week. Subdued offtake did not bring many operations. Support was forthcoming in certain specialist styles notably in the Californian range.

### SOFTS

■ COCOA LCE (£/tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Sep | 939 | -11 | 950 | 921 | 26 | 25 |
| Dec | 985 | -2 | 987 | 982 | 27,845 | 1,717 |
| Mar | 1017 | -5 | 1029 | 1019 | 34,179 | 1,265 |
| May | 1028 | -7 | 1040 | 1029 | 12,430 | 137 |
| Jul | 1041 | -6 | 1047 | 1043 | 5,630 | 118 |
| Sep | 1058 | -7 | 1056 | 1055 | 8,257 | 38 |
| Total | | | | | 109,848 | 3,543 |

■ COCOA CSCE (10 tonnes; $/tonnes)

| | | | | | | |
|---|---|---|---|---|---|---|
| Dec | 1339 | -6 | 1351 | 1333 | 43,788 | 10,347 |
| Mar | 1389 | -5 | 1400 | 1384 | 14,720 | 2,674 |
| May | 1417 | -6 | 1427 | 1418 | 4,568 | 471 |
| Jul | 1445 | -8 | 1442 | 1440 | 2,686 | 8 |
| Sep | 1470 | -3 | 1457 | 1457 | 1,280 | - |
| Dec | 1496 | -3 | 1500 | 1493 | 4,790 | - |
| Total | | | | | 75,444 | 13,880 |

■ COCOA (ICCO) (SDR's/tonne)

| Sep 20 | Price | Prev. day |
|---|---|---|
| Daily | 1017.30 | 995.81 |

■ COFFEE LCE ($/tonne)

| | | | | | | |
|---|---|---|---|---|---|---|
| Sep | 4255 | +54 | 4235 | 4180 | 1,516 | 28 |
| Nov | 4091 | +15 | 4100 | 4053 | 11,192 | 2,384 |
| Jan | 4042 | +32 | 4043 | 3980 | 14,447 | 1,018 |
| Mar | 3998 | +48 | 3960 | 3900 | 7,218 | 203 |
| May | 3895 | +27 | 3895 | 3855 | 2,077 | 4 |
| Jul | 3840 | +10 | 3855 | 3855 | 1,189 | 5 |
| Total | | | | | 37,881 | 3,822 |

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Sep | 231.35 | +3.35 | 231.50 | 225.25 | 13 | 47 |
| Dec | 234.45 | +3.25 | 234.50 | 228.75 | 23,372 | 6,487 |
| Mar | 235.25 | +3.00 | 235.50 | 231.25 | 8,427 | 1,291 |
| May | 236.15 | +3.15 | 236.00 | 231.50 | 3,111 | 139 |
| Jul | 236.65 | +3.10 | 233.50 | 232.00 | 893 | 162 |
| Sep | 237.20 | +3.15 | 237.40 | 233.00 | 272 | 58 |
| Total | | | | | 36,767 | 8,237 |

■ COFFEE (ICO) (US cents/pound)

| Sep 20 | Price | Prev. day |
|---|---|---|
| Comp. daily | 208.06 | 207.15 |
| 15 day average | 199.82 | 198.91 |

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Oct | 12.89 | -0.19 | - | - | 1,606 | - |
| Jan | 11.82 | - | - | - | - | - |
| Mar | 12.08 | -0.14 | - | - | 90 | - |
| Total | | | | | 1,696 | - |

■ WHITE SUGAR LCE ($/tonne)

| | | | | | | |
|---|---|---|---|---|---|---|
| Oct | 330.30 | -1.50 | 332.00 | 329.00 | 3,756 | 273 |
| Dec | 316.30 | -1.10 | 318.50 | 316.00 | 7,679 | 299 |
| Mar | 331.30 | -1.20 | 332.30 | 330.50 | 1,154 | 98 |
| May | 326.40 | -1.50 | 330.00 | 328.10 | 613 | 117 |
| Aug | 315.40 | -1.50 | 314.20 | 314.20 | 381 | 1 |
| Oct | 312.90 | -1.50 | - | - | 4 | - |
| Total | | | | | 13,789 | 741 |

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Oct | 12.57 | -0.18 | 12.77 | 12.48 | 23,222 | 4,107 |
| Mar | 12.46 | -0.15 | 12.54 | 12.45 | 66,027 | 8,102 |
| May | 12.44 | -0.15 | 12.59 | 12.42 | 14,348 | 1,509 |
| Jul | 12.30 | -0.17 | 12.42 | 12.29 | 8,413 | 1,264 |
| Oct | 12.12 | -0.16 | 12.21 | 12.14 | 4,389 | 1,267 |
| Mar | 11.74 | -0.06 | 11.76 | 11.73 | 973 | 264 |
| Total | | | | | 147,882 | 17,243 |

■ COTTON NYCE (50,000lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Oct | 68.48 | -1.47 | 70.00 | 68.48 | 1,630 | 417 |
| Dec | 68.52 | -0.74 | 69.25 | 68.35 | 27,232 | 4,541 |
| Mar | 70.00 | -0.85 | 70.75 | 69.88 | 10,303 | 822 |
| May | 71.17 | -0.63 | 71.80 | 71.05 | 5,387 | 363 |
| Jul | 72.02 | -0.43 | 72.40 | 72.02 | 3,681 | 49 |
| Oct | 69.10 | -0.80 | 69.00 | 69.00 | 461 | 3 |
| Total | | | | | 56,476 | 6,264 |

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Nov | 90.50 | -0.90 | 91.15 | 90.30 | 12,313 | 2,513 |
| Jan | 93.95 | -0.70 | 94.60 | 93.85 | 6,048 | 682 |
| Mar | 97.40 | -0.60 | 97.80 | 97.20 | 4,157 | 582 |
| May | 100.05 | -0.60 | 101.00 | 100.50 | 905 | 105 |
| Jul | 103.00 | -0.10 | - | - | 522 | 80 |
| Sep | 105.50 | +0.40 | - | - | 25 | - |
| Total | | | | | 24,500 | 3,942 |

**VOLUME DATA**

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

### INDICES

■ REUTERS (Base: 18/9/31=100)

| Sep 21 | Sep 20 | month ago | year ago |
|---|---|---|---|
| 2122.2 | 2118.4 | 2070.6 | 1589.8 |

■ CRB Futures (Base: 1967=100)

| Sep 20 | Sep 19 | month ago | year ago |
|---|---|---|---|
| 230.97 | 229.41 | 226.91 | 215.08 |

### MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Oct | 70.225 | +0.925 | 70.500 | 69.600 | 27,908 | 7,908 |
| Dec | 69.525 | +0.600 | 69.750 | 69.100 | 21,115 | 4,563 |
| Feb | 68.275 | +0.375 | 68.500 | 67.925 | 12,868 | 1,310 |
| Apr | 69.250 | +0.350 | 69.425 | 68.850 | 9,275 | 836 |
| Jun | 68.250 | +0.200 | 68.400 | 68.100 | 2,841 | 160 |
| Aug | 65.950 | +0.300 | 66.100 | 65.450 | 1,021 | 45 |
| Total | | | | | 73,862 | 14,861 |

■ LIVE HOGS CME (40,000lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Oct | 36.650 | -0.100 | 37.300 | 36.750 | 6,965 | 1,520 |
| Dec | 37.650 | -0.300 | 38.500 | 37.575 | 11,768 | 1,387 |
| Feb | 38.975 | -0.175 | 39.400 | 38.850 | 3,945 | 476 |
| Apr | 38.150 | +0.025 | 39.400 | 39.000 | 2,375 | 218 |
| Jun | 44.250 | +0.050 | 44.300 | 44.100 | 757 | 60 |
| Aug | 43.025 | +0.075 | 43.050 | 42.900 | 35 | 8 |
| Total | | | | | 28,223 | 3,663 |

■ PORK BELLIES CME (40,000lbs; cents/lb)

| | | | | | | |
|---|---|---|---|---|---|---|
| Feb | 38.950 | +0.250 | 40.700 | 39.800 | 7,399 | 1,057 |
| Mar | 40.000 | +0.400 | 40.550 | 39.850 | 542 | 173 |
| May | 40.400 | +0.100 | 40.750 | 40.400 | 146 | 13 |
| Jul | 42.100 | +0.400 | 42.100 | 41.700 | 108 | 35 |
| Aug | 41.100 | -0.650 | 41.100 | 40.500 | 34 | 1 |
| Total | | | | | 8,270 | 1,280 |

### LONDON TRADED OPTIONS

| Strike price $ tonne | — Calls — | | — Puts — | |
|---|---|---|---|---|
| ■ ALUMINIUM (99.7%) LME | Oct | Jan | Oct | Jan |
| 1575 | 42 | 93 | 10 | 45 |
| 1600 | 27 | 80 | 20 | 56 |
| 1625 | 15 | 67 | 33 | 68 |
| ■ COPPER (Grade A) LME | Oct | Jan | Oct | Jan |
| 2500 | 50 | 108 | 22 | 75 |
| 2550 | 25 | 83 | 45 | 100 |
| 2600 | 10 | 63 | 82 | 128 |
| ■ COFFEE LCE | Nov | Jan | Nov | Jan |
| 3700 | 516 | 550 | 25 | 138 |
| 3750 | 473 | 547 | 32 | 155 |
| 3800 | 432 | 515 | 41 | 173 |
| ■ COCOA LCE | Dec | Mar | Dec | Mar |
| 975 | 47 | 85 | 37 | 53 |
| 1000 | 36 | 82 | 51 | 65 |
| 1050 | 20 | 57 | 80 | 93 |
| ■ BRENT CRUDE IPE | Nov | Dec | Nov | Dec |
| 1600 | 41 | 72 | 35 | 52 |
| 1650 | 23 | 48 | - | - |
| 1700 | 13 | 35 | - | - |

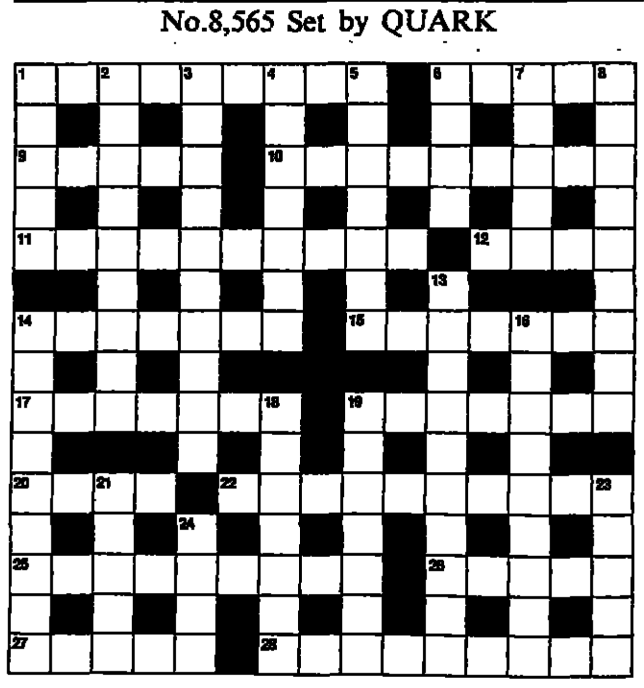
### LONDON SPOT MARKETS

| ■ CRUDE OIL FOB (per barrel/Nov) | | +or- |
|---|---|---|
| Dubai | $15.13-5.18u | |
| Brent Blend (dated) | $15.79-5.82 | +0.015 |
| Brent Blend (Nov) | $16.18-6.20u | -0.005 |
| W.T.I. (1pm est) | $17.34-7.38u | +0.015 |
| ■ OIL PRODUCTS NWE prompt delivery CIF (tonne) | | |
| Premium Gasoline | $171-174 | |
| Gas Oil | $149-150 | -1 |
| Heavy Fuel Oil | $76-78 | +0.5 |
| Naphtha | $158-159 | |
| Jet fuel | $166-170 | -1.5 |
| Petroleum Argus estimates | | |
| ■ OTHER | | |
| Gold (per troy oz)♣ | $394.6 | +0.80 |
| Silver (per troy oz)♣ | 562.0c | +2.0 |
| Platinum (per troy oz.) | $419.85 | +2.90 |
| Palladium (per troy oz.) | $156.25 | +3.25 |
| Copper (US prod.) | 126.0c | |
| Lead (US prod.) | 38.25c | |
| Tin (Kuala Lumpur) | 13.31m | +0.09 |
| Tin (New York) | 245.5c | |
| Cattle (live weight)† | 114.04p | -1.09* |
| Sheep (live weight)†♣ | 87.11p | +0.52* |
| Pigs (live weight)† | 74.08p | -0.97* |
| Lon. day sugar (raw) | $314.80 | +1.60 |
| Lon. day sugar (wte) | $340.00 | +0.70 |
| Tate & Lyle export | £312.00 | |
| Barley (Eng. feed) | Unq. | |
| Maize (US No3 Yellow) | £136.0 | |
| Wheat (US Dark North) | £180.0 | |
| Rubber (Oct)♥ | 69.00p | |
| Rubber (Nov)♥ | 67.00p | |
| Rubber KL RSS No1 Oct | 328.00m | +0.50 |
| Coconut Oil (Phil)§ | $682.5x | -2.5 |
| Palm Oil (Malay.)§ | $620.0t | +2.5 |
| Copra (Phil)§ | $410.0 | +7.0 |
| Soyabeans (US) | £156.0z | |
| Cotton Outlook 'A' index | 75.00c | -0.05 |
| Woollops (64s Super) | 485p | |

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. u Nov. t Oct. z Sep/Oct. x Sep. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. † Sheep (Live weight prices). * Change on week. © Prices are for previous day.

## CROSSWORD

No.8,565 Set by QUARK



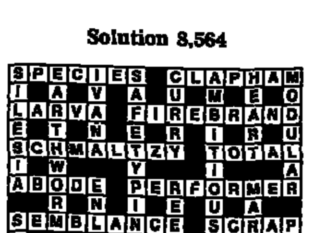
**ACROSS**

1, 6 What the answers to this puzzle are not (3-6,5)
9 White House (5)
10 Being aware of song I can't recollect (9)
11 One goes in to deplore fall in value (10)
12 Firing material in a short time after the morning (4)
14 A small credit with hotel can produce a chuckle (7)
15 Unusual story with one king once involved in war (7)
17 Many are put out after the film (7)
19 Collapse of politician in cruel exchange (7)
20 Turn away endlessly in state (4)
22 Mac is giving evidence after something to drink (10)
25 He knows a lot about the listeners (9)
26 Part of meal I enjoy from a foreign land (5)
27 Lay stress on the newspapers (5)
28 Doubt seance hit unexpectedly (9)

**DOWN**

1 Protective armour left out, so backed away (5)
2 A striking part of the orchestra (9)
3 Selfish ogre in charge violently grabbing money (10)
4 Fix the roof piece, say, perceptible by touch (7)
5 In a clever way but not using head appropriately (7)
6 Stay in one place to serve (4)
7 Genuine male domain (5)
8, 23 Remains undecided and uses balance? (4,2,3,5)
13 Playful imp hurt worker, rejoicing (10)
14 A bird is on a ring (like 13) (9)
16 An inward 19 across? (9)
18 Sh! Peter is in centre of European country (7)
19 Packing cases for furniture – including English makes (7)
21 Cause to deteriorate some weed or eccentric growth coming up (5)
23 See 8 down
24 The person in charge will stand out (4)

**Solution 8,564**



**JOTTER PAD**

# LONDON STOCK EXCHANGE

MARKET REPORT

# Further setback follows US housing statistics

By Terry Byland,
UK Stock Market Editor

Interest rate prospects continued to overshadow UK equities yesterday and a brief rally was sharply reversed after Wall Street and US Federal bonds reacted to an unexpected rise in the latest statistics on US housing starts. Markets focused unhappily on the chances of a rise in US rates at next week's meeting of the Federal Reserve's Open Market Committee.

The reversal of the market's trend in the second half of the session blotted out an optimistic response to the news that growth in German M3 money supply had moderated to 8.2 per cent in August, thus cooling, at least temporarily, fears that the Bundesbank might feel obliged to tighten rates. An improvement in UK government bonds had been largely eliminated by the close.

At the final reading of 3,014.8, the FT-SE 100 Share Index showed a further loss of 22.5 points. Although trading volume was not heavy, the mood of the market appeared to become more gloomy yesterday.

Kleinwort Benson Securities, the London securities house, sharply cut its forecast for 1995 UK corporate earnings to only 8 per cent – now the lowest in the City and barely half that of the consensus prediction. Mr Edmond Warner of Kleinwort fears that profit forecasts from market analysts will soon be tilted towards profits downgrades, as cost and pricing pressures affect company earnings. Kleinwort has trimmed 1994 growth earnings forecasts for non-financial companies from 17 per cent to 15 per cent.

The Confederation of British Industries, predicting some slowdown from the consumer side, forecast growth of around 2.5 per cent in domestic GDP next year, slightly under forecasts from the UK Treasury. There were also suggestions in the stock market that some of the largest lenders to the property and building industries was reining in loan policies to the sector.

The FT-SE Mid 250 Index fell 14.4 to 3,570.1. Another sizeable trading programme, weighted to the sell side and covering a wide range of Footsie and non-Footsie stocks was reported. The previous session featured a similar sell programme, and there have been suggestions that fund managers, particularly from continental Europe have been switching out of UK equities and into British government bonds. Some analysts believe that domestic conditions are ripe for a rally in the UK gilt-edged market, although the worries over the outlook for rates in the US and Germany is seen as a severe problem for UK gilt yields. One analyst urged equity investors to "pray" that value in the gilt-edged market is realised.

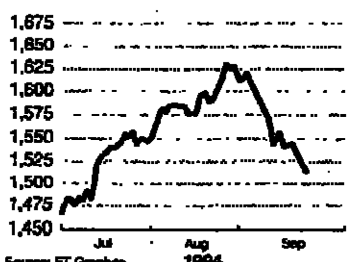
However, Seaq volume of 594.8m shares yesterday was not unduly heavy, and compared with 602.8m on Tuesday. Retail, or genuine customer interest in UK equities, was worth £1.33bn on Tuesday, implying persistent, if not heavy, trading by the big investment funds.

The market was hit by weakness in British Aerospace after the half time report found little favour with sector analysts. The dollar stocks gave ground as the UK market kept a close eye on the Dow Industrial Average, which was 19 points down in UK hours, following its heavy setback in the previous session.

The general picture was fairly gloomy at the close, with only handful of special situations offering relief from the generally red picture on the screens in the City trading rooms.

Strategists said that worries over the near term outlook for interest rates in the US are now likely to dominate a stock market increasingly nervous about the dangers that domestic base rates might be forced higher again before the end of the year. Doubts over UK company earnings prospects will also unsettle investors as the market moves into the final quarter of the year.

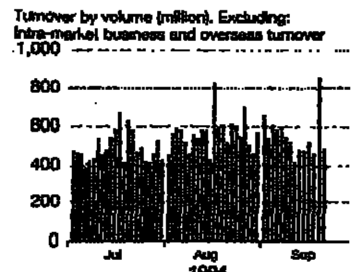
### FT-SE-A All-Share Index




Source: FT Graphite

### Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover




### ■ Key Indicators

**Indices and ratios**

| | | | | | |
|---|---|---|---|---|---|
| FT-SE 100 | 3014.8 | -22.5 | FT Ordinary index | 2337.6 | -20.7 |
| FT-SE Mid 250 | 3570.1 | -14.4 | FT-SE-A Non Fins p/e | 18.68 | (18.83) |
| FT-SE-A 350 | 1524.4 | -10.2 | FT-SE100 Fut Dec | 3018.0 | -28.0 |
| FT-SE-A All-Share | 1516.33 | -9.89 | 10 yr Gilt yield | 9.12 | (9.13) |
| FT-SE-A All-Share yield | 3.96 | (3.93) | Long gilt/equity yld ratio: | 2.29 | (2.31) |

| Best performing sectors | | Worst performing sectors | |
|---|---|---|---|
| 1 Tobacco | +1.0 | 1 Insurance | -2.1 |
| 2 Gas Distribution | +1.0 | 2 Merchant Banks | -2.1 |
| 3 Electricity | +0.9 | 3 Diversified Inds | -1.5 |
| 4 Printing, Paper & Pckg | +0.8 | 4 Life Assurance | -1.4 |
| 5 Household Goods | +0.6 | 5 Other Ser. & Bus. | -1.3 |

## Bullish views on Gas

At least two of the market's leading broking houses, notably BZW and Lehman Bros were promoting British Gas shares yesterday, driving the stock price up 3 to 304p on relatively heavy turnover of 8.1 shares ahead of the strategy meeting scheduled for September 29.

BZW, in a 50-page circular on the stock, described Gas as having the "lowest political risk of all utilities"; that "its current cost cutting plans and growing exploration and production profits will support five to seven per cent nominal dividend growth per annum"; that its extra cost cutting and cut-backs in capital expenditure; and that four of BZW's valuation methods suggest 10 per cent upside in the stock.

Other energy specialists, however, said the shares had moved high enough in the short term. One said that the market had become fixated with dividend policy which may not be forthcoming in the September 29 meeting. "If the market doesn't hear what it wants to hear on September 29, *the shares are heavily over-bought*," he said.

### BAe disappoints

British Aerospace swung about wildly, trading 9.5m shares following harsh profit downgrades from a number of major securities houses in the wake of the company's half-year results.

The shares closed a full 26 lower at 445p after a low point at one stage in the morning session of 439p as selling came close to panic levels.

BAe's interim figures were broadly in line with market hopes and the interim dividend gain was above expectations. *But analysts departed from a* morning meeting with the company's management in troubled mood.

BZW was among the most bearish, downgrading its pre-tax profits forecast for 1994 from £175m to £105m. Most securities houses are now clearly concerned about BAe's potential for a severe near term squeeze on cash-flow.

### Vodafone advances

Vodafone shares continued their recovery, and were given a push yesterday by Hoare Govett, the stockbroker, who said the stock would respond very quickly to sharply *increased subscriber numbers* for the third quarter, expected on October 3.

Hoare's telecoms team is looking for Vodafone to announce a customer base of some 120,000, more than twice that of the same time last year. The broker described Vodafone shares as "very cheap" and said it expected the stock to respond vigorously to an expected bout of buying interest from UK institutions.

US selling, which has been strongly evident in recent weeks, has largely dried up, dealers said.

Vodafone shares edged up 3 to 186½p, after 188p, with turnover reaching 4.6m.

Northern Electricity was the star turn in a generally strong Recs sector, the shares racing up 19 to 817p after the company activated its share buy back programme. BZW, Northern's broker, was said to have bought in around 10m shares but was acting as an agent for the group in a move seen by dealers as a tender offer.

The Northern buy back offer, was viewed by marketmakers as a big switching operation and especially lucrative for the market's big gross funds. Other buy back moves yesterday included South Wales acquiring 225,000 shares at 817p.

Barclays Bank shares took a drubbing in the general market malaise, sliding 10½ to 567½p; stories circulating in the stock-market suggested that the bank had moved recently to curtail its lending to property and building companies, a move which prompted fears that the bank may have suffered a further wave of losses in those areas.

Standard Chartered was one of the few strong performers in the sector, *with dealers talking* of a chart break out for the stock.

Big falls in international bond and equity markets across the globe triggered a fresh spate of concerns that many of the UK's big trading houses could have come unstuck during the turbulent trading period. SG Warburg, always viewed as the UK's leading integrated securities house, dropped 20 to 711p. Smith New Court, the London market's premier market-making firm, slipped 8 to 418p.

Lingering fears that Commercial Union's rights issue might have run into problems dragged CU shares down 13 to 489p and the nil-paids 13 to 15p.

A move to stem speculation over its interest in Scott Paper subsidiary SD Warren pushed up market confidence in Arjo Wiggins and the shares improved 12 to 263p.

Arjo said that it would only be interested in acquiring a part of the company in a joint venture with a US company rather than the whole.

After recent weakness in the stock, investors were pleased that any large-scale dilution, which would be caused by a big purchase, was no longer a concern.

Merger and acquisitions speculation continues to preoccupy the pharmaceuticals sector, with most analysts concurring that in several years there will be fewer drugs companies.

Compatibility between Zeneca and Wellcome, and the fact that there would be little product overlap, is fuelling market talk of a merger between the two, according to one analyst. Zeneca lost 9 to 833p and Wellcome gave up 10 to 689p.

Contract distribution shares were the feature of the transport sector with Tillett and Britten tumbling 42 to 768p following a bleakish half-year report.

A slip of 16 sent shares in Thorn EMI down to 972p as talk circulated of a large line of stock hanging over the market. A seller was said to have tested the water but marketmakers were reluctant to take on the block and the price marked down.

The unwinding of a bull position was said to have been partly responsible for a tumble in the price of BOC Group. The shares lost 14 to 709p.

Against prevailing weakness in the chemicals sector Courtaulds managed to close the day unchanged at 471p albeit in thin volume as sentiment begins to grow that the shares have been oversold.

The share price upset at BAe washed over on to Aerostructures Hamble, the former BAE unit floated in June at 120p. The company gets around 80 per cent of turnover from BAe and the shares crashed 50 to 73p.

**MARKET REPORTERS:**
Steve Thompson,
Jeffrey Brown,
Christine Buckley

■ Other statistics, Page 43

### NEW HIGHS AND LOWS FOR 1994

[illegible]

## EQUITY FUTURES AND OPTIONS TRADING

Stock index futures spent a volatile day, trading within a range of no less than 37 points in medium volume that was nearly 4,000 lots down on Tuesday.

At the close the FT-SE December contract was 3,018, against 3,046 a day earlier for a premium to the cash market of four points. The fair value premium was around 17 points.

The contract opened comfortably higher at 3,052 only to drift lower throughout most of the morning session. Then Wall Street bonds opened in bleak mood and a number of big sellers moved in.

The low point of the day - 3,015 - was touched just in front of the close and was enough to tempt a smattering of buyers to lever the contract off its bottom.

Trading volume was not heavy as the day's price movements might suggest with activity extending to 13,799 lots, against 17,553 on Tuesday.

In contrast activity, in traded options was almost match for the previous day at 37,003 lots, against 39,646. FT-SE volume accounted for more than half the total but Euro FT-SE business was a desultory 1,481 lots.

The most actively traded individual stock option was British Steel with 2,600 lots, well ahead of Euro FT-SE. British Gas traded 1,069 lots and Sears 1,060.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 3052.0 | 3018.0 | -28.0 | 3058.0 | 3015.0 | 14913 | 52465 |
| Mar | 3053.0 | 3042.0 | -28.5 | 3053.0 | 3053.0 | 105 | 645 |

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | | 3560.0 | -30.0 | | | 0 | 3391 |

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | - | 3560.0 | - | - | - | - | 0 |

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3015) £10 per full index point

| | 2850 C | 2850 P | 2900 C | 2900 P | 2950 C | 2950 P | 3000 C | 3000 P | 3050 C | 3050 P | 3100 C | 3100 P | 3150 C | 3150 P | 3200 C | 3200 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Oct | 172½ | 18½ | 132 | 35 | 96 | 30½ | 68 | 58½ | 41½ | 85½ | 24 | 118 | 13 | 157 | 6½ | 201 |
| Nov | [illegible] | | | | | | | | | | | | | | | 208 |
| Dec | [illegible] | | | | | | | | | | | | | | | 219 |
| Jun† | [illegible] | | | | | | | | | | | | | | | 228½ |
| Jun† | [illegible] | | | | | | | | | | | | | | | 256 |

Calls 7,299 Puts 10,172

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

| | 2825 C | 2825 P | 2875 C | 2875 P | 2925 C | 2925 P | 2975 C | 2975 P | 3025 C | 3025 P | 3075 C | 3075 P | 3125 C | 3125 P | 3175 C | 3175 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Oct | 193 | 12½ | 151 | 20½ | 112 | 31½ | 78 | 47 | 51½ | 70½ | 31½ | 100 | 18 | 136½ | 9½ | 177½ |
| Nov | 213 | 25 | 174½ | 36 | 139½ | 50 | 108 | 68 | 80½ | 90½ | 57½ | 117 | 39 | 148 | 25½ | 184 |
| Dec | 226½ | 36 | 189½ | 48½ | 155½ | 64 | 125½ | 83 | 99 | 106 | 78 | 132½ | 56½ | 162 | 40½ | 195 |
| Mar | 273 | 62½ | | | 205½ | 92 | | | 148½ | 132 | | | 102½ | 183 | | |
| Jun† | 313½ | 83 | | | 248½ | 114½ | | | 192½ | 153 | | | 142½ | 199 | | |

Calls 289 Puts 1,233 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

| | 3500 | 3550 | 3600 | 3650 | 3700 | 3750 | 3800 | 3850 |
|---|---|---|---|---|---|---|---|---|
| Dec | | 169½ 85½ | 142 107 | 117½ 132 | | | | |

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

## FT - SE Actuaries Share Indices — The UK Series

| | Sep 21 | Day's chge% | Sep 20 | Sep 19 | Sep 16 | Year ago | Div. yield% | Earn. yield% | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 3014.8 | -0.7 | 3037.3 | 3079.1 | 3065.1 | 3007.5 | 4.18 | 7.16 | 16.52 | 99.63 | 1139.72 |
| FT-SE Mid 250 | 3570.1 | -0.4 | 3584.5 | 3608.0 | 3616.1 | 3427.5 | 3.50 | 5.70 | 21.14 | 95.61 | 1327.99 |
| FT-SE Mid 250 ex Inv Trusts | 3572.8 | -0.4 | 3586.4 | 3608.5 | 3614.2 | 3445.1 | 3.65 | 6.16 | 19.72 | 98.87 | 1325.85 |
| FT-SE-A 350 | 1524.4 | -0.7 | 1534.6 | 1553.1 | 1548.5 | 1507.5 | 4.02 | 6.81 | 17.41 | 48.16 | 1178.54 |
| FT-SE SmallCap | 1855.13 | -0.5 | 1863.97 | 1870.23 | 1875.10 | 1759.01 | 3.17 | 4.67 | 26.90 | 42.10 | 1437.76 |
| FT-SE SmallCap ex Inv Trusts | 1828.31 | -0.4 | 1836.42 | 1839.91 | 1844.27 | 1762.01 | 3.36 | 5.17 | 24.63 | 43.20 | 1420.68 |
| FT-SE-A ALL-SHARE | 1516.33 | -0.6 | 1526.22 | 1543.64 | 1538.71 | 1494.78 | 3.96 | 6.65 | 17.89 | 46.93 | 1192.31 |

### ■ FT-SE Actuaries All-Share

| | Sep 21 | Day's chge% | Sep 20 | Sep 19 | Sep 16 | Year ago | Div. yield% | Earn yield% | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 MINERAL EXTRACTION(18) | 2682.69 | -0.6 | 2699.71 | 2732.82 | 2705.93 | 2233.80 | 3.43 | 5.10 | 24.78 | 56.67 | 1069.69 |
| 12 Extractive Industries(4) | 3980.60 | -0.7 | 4007.74 | 3996.75 | 3930.51 | 3162.10 | 3.23 | 5.15 | 24.03 | 55.32 | 1086.58 |
| 15 Oil, Integrated(3) | 2617.08 | -0.6 | 2631.80 | 2674.82 | 2651.08 | 2168.20 | 3.60 | 5.74 | 21.67 | 59.99 | 1065.77 |
| 16 Oil Exploration & Prod(11) | 1932.74 | -1.2 | 1956.78 | 1967.88 | 1959.28 | 1821.80 | 2.15 | ‡ | ‡ | 38.03 | 1118.25 |
| 20 GEN MANUFACTURERS(268) | 1886.14 | -0.5 | 1896.42 | 1919.83 | 1925.36 | 1870.80 | 4.04 | 5.07 | 23.95 | 60.71 | 961.16 |
| [illegible] | | | | | | | | | | | |

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

## TRADING VOLUME

■ Major Stocks Yesterday

[illegible]

# LONDON EQUITIES

## LIFFE EQUITY OPTIONS

[illegible]

## FT GOLD MINES INDEX

[illegible]

### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 41 | 11 | 18 |
| Other Fixed Interest | 4 | 1 | 10 |
| Mineral Extraction | 40 | 83 | 75 |
| General Manufacturers | 67 | 210 | 368 |
| Consumer Goods | 21 | 72 | 94 |
| Services | 47 | 155 | 295 |
| Utilities | 19 | 14 | 12 |
| Financials | 35 | 152 | 179 |
| Investment Trusts | 12 | 244 | 210 |
| Others | 7 | 78 | 16 |
| Totals | 293 | 1,020 | 1277 |

Data based on those companies listed on the London Share Service.

### TRADITIONAL OPTIONS

| | | | |
|---|---|---|---|
| First Dealings | September 12 | Expiry | December 8 |
| Last Dealings | September 23 | Settlement | December 22 |

Calls: BTR Wts '97, Betterware, Haemocell, Lucas Wts, Morrison (Wm), Ramco Energy, Tullow Oil, Utd Energy, Wimpey (G). Puts: BTR Wts '97, Tullow Oil. Puts & Calls: Bk of Scotland, Wimpey (G).

### LONDON RECENT ISSUES: EQUITIES

| Issue price p | Amt paid up | Mkt. cap (£m.) | 1994 High | 1994 Low | Stock | Close price p | +/- | Net div. | Div. cov. | Grs yld | P/E net |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 100 | F.P. | 18.1 | 102 | 95 | Beacon Inv Tst | 95 | | - | - | - | - |
| - | F.P. | 1.52 | 48 | 39 | Do. Warrants | 40 | | - | - | - | - |
| §125 | F.P. | 18.9 | 130 | 124 | Compel | 124 | -2 | WN4.0 | 2.1 | 4.0 | 12.0 |
| - | F.P. | 1.30 | 1½ | 1 | Cont'l Foods Wrts | 1¼ | | - | - | - | - |
| - | F.P. | 24.8 | 62 | 61 | Emerging Mkts C | 62 | | - | - | - | - |
| 120 | F.P. | 21.1 | 120 | 118 | Independent Parts | 118 | | LN4.0 | 2.1 | 4.2 | 14.3 |
| - | F.P. | 26.7 | 67 | 35 | Magnum Power | 64 | | - | - | - | - |
| - | F.P. | 3.27 | 44 | 27 | Suter Wrts 99/04 | 28 | +1 | - | - | - | - |
| - | F.P. | 115.7 | 379 | 374 | Templeton E New | 374 | -1 | - | - | - | - |
| - | F.P. | 12.8 | 212 | 192 | Do. Wrts. 2004 | 207 | -1 | - | - | - | - |

### RIGHTS OFFERS

| Issue price p | Amount paid up | Latest Renun. date | 1994 High | 1994 Low | Stock | Closing price p | +or- |
|---|---|---|---|---|---|---|---|
| 475 | Nil | 4/10 | 59pm | 15pm | Commercial Union | 15pm | -13 |
| 360 | Nil | 21/10 | 48pm | 13pm | EMAP | 14pm | +1 |
| 252 | Nil | 11/11 | 34pm | 17pm | Weir | 17pm | -1 |

### FINANCIAL TIMES EQUITY INDICES

| | Sep 21 | Sep 20 | Sep 19 | Sep 16 | Sep 15 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| Ordinary Share | 2337.6 | 2358.3 | 2369.5 | 2388.1 | 2426.2 | 2329.1 | 2713.6 | 2240.6 |
| Ord. div. yield | 4.40 | 4.36 | 4.30 | 4.30 | 4.24 | 3.99 | 4.46 | 3.43 |
| Earn. yld. % full | 6.30 | 6.25 | 6.13 | 6.13 | 6.04 | 4.70 | 6.30 | 3.82 |
| P/E ratio net | 16.94 | 17.67 | 17.41 | 17.41 | 17.68 | 27.14 | 33.43 | 16.94 |
| P/E ratio nil | 17.51 | 17.09 | 18.00 | 18.00 | 18.28 | 25.05 | 30.80 | 17.09 |

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

| Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 2352.5 | 2363.9 | 2360.0 | 2349.6 | 2350.4 | 2355.7 | 2356.9 | 2353.0 | 2344.9 | 2367.1 | 2337.0 |

| | Sep 21 | Sep 20 | Sep 19 | Sep 16 | Sep 15 | Yr ago |
|---|---|---|---|---|---|---|
| SEAQ bargains | 24,511 | 24,355 | 24,512 | 24,749 | 24,238 | 27,748 |
| Equity turnover (£m)† | - | 1333.8 | 950.9 | 1193.7 | 1180.8 | 1559.0 |
| Equity bargains† | - | 27,071 | 25,841 | 27,771 | 27,658 | 29,839 |
| Shares traded (m)† | - | 496.4 | 827.0 | 468.4 | 521.3 | 560.4 |

†Excluding intra-market business and overseas turnover.

## LONDON SHARE SERVICE

### BANKS

| | Notes | Price | + or - | 1994 high | low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| ABN Amro Fl | | £21$\frac{1}{16}$ | +$\frac{3}{16}$ | £25$\frac{3}{8}$ | £20$\frac{11}{16}$ | 6,300 | 5.3 | ф |
| ANZ A$ | | 187 | -4 | 278$\frac{1}{4}$ | 178$\frac{3}{4}$ | 2,498 | 5.0 | 28.6 |
| Abbey National | †N□ | 384$\frac{1}{2}$xd | -6$\frac{1}{2}$ | 523 | 381 | 5,044 | 5.1 | 12.9 |
| Allied Irish I£ | ф†N□ | 240xd | -4 | 314 | 234 | 1,506 | 5.3 | 9.2 |
| Anglo Irish I£ | N□ | 57 | — | *70 | 50 | 198.2 | 7.5 | 10.4 |
| Asahi Y | | 780$\frac{1}{2}$ | -7 | 819$\frac{1}{4}$ | 628 | 16,255 | 0.6 | ф |
| Banco Bil Viz Pta | | £15$\frac{3}{4}$ | +$\frac{1}{4}$ | £16$\frac{7}{8}$ | £14$\frac{1}{8}$ | 3,513 | 5.4 | 6.8 |
| Banco Sant Pta | | £26$\frac{1}{2}$ | — | *£30$\frac{1}{2}$ | £23$\frac{3}{4}$ | 3,940 | 5.5 | 9.1 |
| Bk Ireland I£ | ф□ | 278 | -3 | *319 | 245 | 1,313 | 4.7 | 8.0 |
| Bank Scotland | ф N□ | 200 | +3$\frac{1}{2}$ | 247 | 172$\frac{1}{2}$ | 2,334 | 3.2 | 16.4 |
| 9$\frac{1}{4}$pc Pf | | 111 | — | 141$\frac{1}{2}$ | 111 | 111.0 | 10.4 | - |
| 9$\frac{3}{4}$pc Pf | | 116$\frac{1}{4}$ | +$\frac{1}{4}$ | 148$\frac{1}{2}$ | 116 | 116.2 | 10.5 | - |
| Barclays | ф†N□ | 557$\frac{1}{2}$xd | -10$\frac{1}{2}$ | 640 | 487 | 9,238 | 3.7 | 10.9 |
| Dai Ichi Kan Y | | £11$\frac{7}{8}$ | +$\frac{1}{32}$ | £12$\frac{11}{32}$ | £10$\frac{5}{8}$ | 35,184 | 0.5 | - |
| Deutsche DM | | £286$\frac{3}{8}$ | +$\frac{3}{4}$ | £344$\frac{1}{4}$ | £270$\frac{3}{8}$ | 13,655 | 2.4 | - |
| Espirito Santo | | £9$\frac{3}{4}$ | — | *£13$\frac{7}{8}$ | £8$\frac{13}{16}$ | 206.7 | 3.9 | 4.9 |
| First Nat Fin | N□ | 74 | +$\frac{1}{2}$ | *90 | 60 | 124.9 | 2.5 | - |
| 6.3pc Cv Pf | | 78 | -1 | *90 | 78 | 5.11 | 10.4 | - |
| 7pc Cv Pf | | 133$\frac{1}{2}$ | -$\frac{1}{2}$ | 171 | 123 | 63.4 | 6.6 | - |
| Fuji Bank Y | | 1395$\frac{1}{2}$ | +9 | 1549$\frac{1}{4}$ | 1152$\frac{1}{2}$ | 39,289 | 0.4 | ф |
| HSBC HK | †N□ | 720xd | -8 | 1133 | 680 | 12,600 | 4.3 | 10.4 |
| HSBC (75p Shg) | †N□ | 700xd | -9 | 1113 | 660 | 5,950 | 4.4 | 10.1 |
| Lloyds | †N□ | 538xd | -8 | 680 | 519 | 6,880 | 5.3 | 10.6 |
| Mitsubishi Y | | £15$\frac{3}{4}$ | +$\frac{1}{4}$ | £18$\frac{3}{8}$ | £15$\frac{11}{32}$ | 45,947 | 0.3 | ф |
| Mits Tst & Bk Y | | 968$\frac{1}{2}$ | +8 | 1162$\frac{1}{4}$ | 887$\frac{1}{2}$ | 11,888 | 0.5 | 16.0 |
| Mitsui Tst & Bk Y | | 682$\frac{1}{4}$ | -2 | 879 | 514 | 6,296 | 0.8 | 22.8 |
| Nat Aust A$ | † | 479 | -9 | 620$\frac{1}{4}$ | 479 | 6,412 | 5.7 | 10.2 |
| NatWest | †N□ | 470xd | -6$\frac{1}{2}$ | 622 | 421 | 7,925 | 5.1 | 8.8 |
| Ottomane FFr | | £21$\frac{1}{2}$ | — | £30 | £21$\frac{1}{4}$ | 108.8 | 6.7 | ф |
| Ryl Bk Scotland | ф†N□ | 400 | -6 | 528 | 377$\frac{1}{2}$ | 3,204 | 3.8 | 18.1 |
| Sakura Y | | 685$\frac{1}{4}$ | +$\frac{1}{4}$ | 89$\frac{1}{2}$ | 58$\frac{1}{4}$ | 28,585 | 0.6 | 52.2 |
| Sanwa Y | | £12$\frac{11}{32}$ | +$\frac{1}{4}$ | £15$\frac{1}{2}$ | £11$\frac{7}{8}$ | 38,309 | 0.5 | - |
| Standard Chartd. | †N□ | 263xd | +5 | *359$\frac{1}{4}$ | 223 | 2,527 | 3.0 | 9.0 |
| 7 3/8pc Prf | | 82$\frac{1}{2}$xd | +$\frac{1}{4}$ | 108$\frac{1}{2}$ | 82$\frac{1}{4}$ | 82.5 | 11.2 | - |
| Sumitomo Y | | £12 | +$\frac{1}{4}$ | £16$\frac{1}{4}$ | £11$\frac{1}{2}$ | 37,698 | 0.5 | 25.0 |

### BREWERIES

### BUILDING & CONSTRUCTION

### BUILDING MATS. & MERCHANTS

### CHEMICALS

### DISTRIBUTORS

### DIVERSIFIED INDUSTRIALS

### ELECTRICITY

### ELECTRONIC & ELECTRICAL EQPT

### ELECTRONIC & ELECTRICAL EQPT - Cont.

### ENGINEERING

### ENGINEERING, VEHICLES

### EXTRACTIVE INDUSTRIES

### FOOD MANUFACTURERS

### GAS DISTRIBUTION

### HEALTH CARE

### HEALTH CARE - Cont.

### HOUSEHOLD GOODS

### INSURANCE

### INVESTMENT TRUSTS

### INVESTMENT TRUSTS - Cont.

# LONDON SHARE SERVICE

## INVESTMENT TRUSTS - Cont.

## OTHER INVESTMENT TRUSTS

## INVESTMENT COMPANIES

## LEISURE & HOTELS

## LEISURE & HOTELS - Cont.

## LIFE ASSURANCE

## MEDIA

## MERCHANT BANKS

## OIL EXPLORATION & PRODUCTION

## OIL EXPLORATION & PRODUCTION - Cont.

## OIL, INTEGRATED

## OTHER FINANCIAL

## OTHER SERVICES & BUSINESSES

## PHARMACEUTICALS

## PRINTING, PAPER & PACKAGING

## PROPERTY

## RETAILERS, FOOD

## RETAILERS, GENERAL

## RETAILERS, GENERAL - Cont.

## SPIRITS, WINES & CIDERS

## SUPPORT SERVICES

## TELECOMMUNICATIONS

## TEXTILES & APPAREL

## TOBACCO

## TRANSPORT

## TRANSPORT - Cont.

## WATER

## AMERICANS

## CANADIANS

## SOUTH AFRICANS

| | Notes | Price | + or - | 1994 high | low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Anglo Am Ind | | £29¼ | — | £30 | £13½ | 1,907 | 2.5 | 21.4 |
| Barlow | Z | £4¼ | -3/32 | £5 11/16 | £3 11/16 | 848.4 | 0.8 | - |
| Gold Flds Prop R | | 119xa | — | 128 | 75 | 12.2 | 7.8 | ϕ |
| MK Props | Z | 85 | — | 95 | 85 | 3.42 | 14.1 | ϕ |
| SASOL | ψ | 500 | +1 | 600 | 280 | 2,842 | 2.8 | - |
| SA Brews | | £11 7/32 | — | £16 1/32 | £10 | 3,292 | 2.3 | 19.4 |
| Tiger Oats | † | 825 | — | 838 | 538 | 939.8 | 2.5 | 13.2 |
| Tongaat-Hulett | h | 587 | — | *816½ | 356¼ | 535.0 | 2.2 | 16.4 |

## GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted *for a dividend tax credit of 20 per cent and allow for value of declared* distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ψ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xl ex capital distribution.

*This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each* security shown, subject to the Editor's discretion.

## FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT3185. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availabilty.

## FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See *Monday's share price pages for details.*

An International service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

## AUTHORISED UNIT TRUSTS

[illegible]

### Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Waverley Unit Tst Mngmt Ltd (1000)F

13 Charlotte Sq, Edinburgh

Whittingdale Unit Tst Mgmt Ltd (0830)F

2 Honey Lane, London EC2V 8BT

Woolwich Unit Trust Managers Ltd (1700)H

2 White Oak Square, Swanley BR8 7AG

## OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Int'l Cptl Aug 31 | 770.8 | 797.0 | -25.9 | 0.05

Baring Investment Mngmt Ltd

155 Bishopsgate, London EC2M 3XY

CAF - Charity Money Management

CIS Unit Trust Managers Ltd

Cent. Bd. of Fin. of Church of England‡

## INSURANCES

Acuma Life Assurance Ltd

42 Southwark Bridge Road, London SE1 9HE 071 980 3433

AEGON Life Assurance Co (UK) Ltd

AEGON Hse, Lanark Sq, London E14 9QS 071-538 8800

Clerical Medical/Fidelity Investments

Friends Provident - Contd.

Lancashire & Yorkshire Assce Society

MGM Assurance (z)

Norwich Union Life Insurance Soc. - Contd.

Prudential Individual Pension Funds

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

### Scottish Mutual Assurance plc

108 St Vincent St, Glasgow 041-248 6321

### Sun Alliance Group - Contd.

## OFFSHORE INSURANCES

## MANAGEMENT SERVICES

# OFFSHORE AND OVERSEAS

## BERMUDA (SIB RECOGNISED)

## GUERNSEY (SIB RECOGNISED)

## GUERNSEY (REGULATED)(**)

## IRELAND (SIB RECOGNISED)

## IRELAND (REGULATED)(**)

## ISLE OF MAN (SIB RECOGNISED)

## ISLE OF MAN (REGULATED)(**)

## JERSEY (SIB RECOGNISED)

## JERSEY (REGULATED)(**)

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on ( 071 ) 873 4378 for more details.

## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED)(**)

## OTHER OFFSHORE FUNDS

### MANAGED FUNDS NOTES

# CURRENCIES AND MONEY

## MARKETS REPORT

# D-Mark stabilises

The D-Mark strengthened against the dollar and the pound yesterday as Germany's M3 money supply figures came in lower than expected, *writes Motoko Rich*.

Against the dollar, the D-Mark finished in London at DM1.5449 from DM1.5508. Against the pound, it closed in London at DM2.438, up from DM2.4446.

The US currency came under some pressure as US treasury bond markets interpreted a higher than expected rise in housing starts as an indication that an interest rate hike is imminent. In recent months, the bond markets have been leading the dollar.

The dollar fluctuated against the yen in the face of a raft of ambivalent comments from US officials about trade talks with Japan in advance of the September 30 deadline for sanctions.

In London the dollar closed against the yen at Y97.70 from Y97.75.

■ The D-Mark turned in a strong performance, due in part to market relief that the M3 money supply showed a slowdown in annualised growth. Some investors had spent the past few days preparing for a rise.

The M3 grew an annualised 8.2 per cent in August, below the consensus forecast of 8.9 per cent and below a year-on-year growth rate of 9.8 per cent in July.

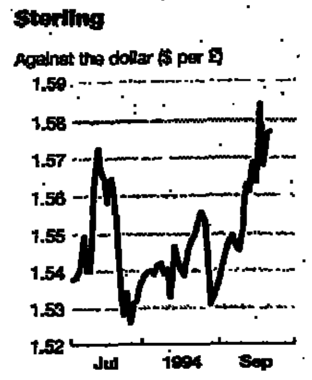
Following the release of the data, Bundesbank deputy president Mr Johann Wilhelm Gaddum said he was confident that the pace of money supply growth would continue to slow down.

While some economists warned that the Bundesbank could use this news as an opportunity to raise rates, Mr Gaddum further calmed the markets when he said: "We cannot be satisfied with the current inflation rate."

The markets took these comments as reassurance that the Bundesbank would not soon move to cut interest rates. "The market feels that the bottom in the German interest rate cycle has been established," said Mr Neil MacKinnon, economist at Citibank.

**Sterling**

Against the dollar ($ per £)




Source: FT Graphite

■ **Pound in New York**

| Sep 21 | —Latest— | — Prev. close — |
|---|---|---|
| £ spot | 1.5780 | 1.5740 |
| 1 mth | 1.5773 | 1.5732 |
| 3 mth | 1.5754 | 1.5710 |
| 1 yr | 1.5583 | 1.5534 |

Another factor helping the D-Mark was a general opinion poll taken by the Allensbach opinion research group, which showed the liberal Free Democratic party, Chancellor Helmut Kohl's junior coalition partner, currently enjoying 8.5 per cent support for its bid to return to the national parliament in general elections in October.

Worries that a poor performance by the FDP would force a coalition between Chancellor Kohl's Christian Democrats and the Social Democratic party had been rattling the markets. "The markets have taken some comfort from the poll and the D-Mark has regained its composure," said Mr David Cocker, economist at Chemical Bank.

■ The dollar traded within tight ranges, restrained by a 21.1 per cent rise in US housing starts to 1.442m units, above the average forecast of 1.40m and against revised July housing starts of 1.413m units.

Mr Cocker said: "The strong housing starts seem to suggest that the amount of Federal reserve tightening to date has not been sufficient and leads markets to worry about inflation, which depresses bonds and leads to a sell-off of dollars."

The dollar bounced around against the yen after several US officials sounded off about trade talks with Japan. US Commerce secretary Mr Ron Brown and Mr Mickey Kantor, US trade representative, unsettled markets with vague comments about the progress of talks.

But analysts were most impressed by Treasury Undersecretary Mr Lawrence Summers, who warned that the dollar would not be a "tool of trade policy". Mr Adrian Cunningham, senior currency economist at UBS said: "If the trade discussions were going badly, no US official would have gone as far as to say that they are not talking the dollar lower."

■ Sterling edged up against the dollar in response to better than forecast non-European Union trade figures. The seasonally adjusted trade gap dropped to £262m after a revised £384m in July. The consensus expectation was for a rise to £500m.

In London, the pound closed against the dollar at $1.5781 from $1.5764.

The UK currency was also helped by the minutes of the 28 July monthly monetary meeting between Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, Bank of England governor, which suggested that interest rates rises were being used as pre-emptive rather than reactive strikes against inflation.

■ The Bank of England set a rate if 5$\frac{11}{16}$ per cent on money market repos and secured loan facilities commencing today, maturing on October 6 and October 20. After forecasting a shortage of £350m, the bank provided £350m in liquidity at 5¾ per cent. Overnight rates traded between 3½ and 5¾ per cent.

The September short sterling contract, which expired yesterday, traded 9,150 lots to settle at 94.06 from 94.03. The December contract traded 66,670 lots to finish at 93.07 from 93.03.

■ **OTHER CURRENCIES**

| Sep 21 | £ | $ |
|---|---|---|
| Hungary | 169.271 - 169.515 | 107.290 - 107.390 |
| Iran | 2747.00 - 2750.00 | 1748.00 - 1750.00 |
| Kuwait | 0.4684 - 0.4693 | 0.2969 - 0.2977 |
| Poland | 36287.1 - 36352.9 | 23000.0 - 23030.0 |
| Russia | 3721.15 - 3725.90 | 2358.00 - 2361.00 |
| U.A.E. | 5.7894 - 5.8010 | 3.6715 - 3.6735 |

## POUND SPOT FORWARD AGAINST THE POUND

| Sep 21 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Malaysia | (M$) | 4.0325 | +0.0073 | 307 - 343 | 4.0353 | 4.0194 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 2.6276 | +0.0188 | 247 - 304 | 2.6308 | 2.6082 | 2.6315 | -1.8 | 2.6393 | -1.8 | 2.6816 | -1.3 | - |
| Philippines | (Peso) | 41.5831 | +1.0708 | 780 - 881 | 41.9883 | 41.1775 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 5.9189 | +0.0068 | 172 - 205 | 5.9247 | 5.9004 | - | - | - | - | - | - | - |
| Singapore | (S$) | 2.3301 | +0.0031 | 287 - 314 | 2.3342 | 2.3254 | - | - | - | - | - | - | - |
| S Africa (Com.) | (R) | 5.5908 | +0.0027 | 882 - 934 | 5.5949 | 5.5741 | - | - | - | - | - | - | - |
| S Africa (Fin.) | (R) | 6.9279 | +0.0077 | 103 - 454 | 6.9489 | 6.9017 | - | - | - | - | - | - | - |
| South Korea | (Won) | 1262.85 | +1.4 | 184 - 405 | 1264.52 | 1258.82 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 41.4047 | +0.0628 | 910 - 183 | 41.4571 | 41.2792 | - | - | - | - | - | - | - |
| Thailand | (Bt) | 39.3500 | +0.0201 | 321 - 678 | 39.3840 | 39.2320 | - | - | - | - | - | - | - |

†SDR rates for Sep 20. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Sep 21 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | J.P Morgan Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 10.8720 | -0.045 | 695 - 745 | 10.9285 | 10.8735 | 10.872 | 0.0 | 10.8718 | 0.0 | 10.797 | 0.7 | 104.0 |
| Belgium | (BFr) | 31.8200 | -0.085 | 000 - 400 | 31.9330 | 31.8000 | 31.8272 | -0.3 | 31.84 | -0.3 | 31.975 | -0.5 | 105.6 |
| Denmark | (DKr) | 6.0787 | -0.0204 | 777 - 797 | 6.1070 | 6.0769 | 6.0852 | -1.3 | 6.1052 | -1.7 | 6.1824 | -1.7 | 104.7 |
| Finland | (FM) | 4.9074 | -0.0295 | 027 - 120 | 4.9450 | 4.9017 | 4.9074 | 0.0 | 4.9144 | -0.6 | 4.9624 | -1.1 | 79.7 |
| France | (FFr) | 5.2807 | -0.0208 | 802 - 812 | 5.3055 | 5.2800 | 5.2831 | -0.6 | 5.2874 | -0.5 | 5.2607 | 0.4 | 106.2 |
| Germany | (D) | 1.5449 | -0.0059 | 445 - 452 | 1.5530 | 1.5440 | 1.5451 | -0.2 | 1.5451 | 0.0 | 1.5402 | 0.3 | 106.6 |
| Greece | (Dr) | 235.300 | -0.6 | 250 - 350 | 237.820 | 235.240 | 235.6 | -1.5 | 236.225 | -1.6 | 238.975 | -1.6 | 68.8 |
| Ireland | (I£) | 1.5832 | +0.0077 | 624 - 639 | 1.5640 | 1.5539 | 1.5626 | 0.5 | 1.5596 | 0.9 | 1.5412 | 1.4 | - |
| Italy | (L) | 1555.50 | -4.5 | 500 - 600 | 1559.75 | 1554.00 | 1559.75 | -3.3 | 1568.5 | -3.3 | 1617 | -4.0 | 75.9 |
| Luxembourg | (LFr) | 31.8200 | -0.085 | 000 - 400 | 31.9330 | 31.8000 | 31.8272 | -0.3 | 31.84 | -0.3 | 31.975 | -0.5 | 105.6 |
| Netherlands | (Fl) | 1.7333 | -0.0057 | 328 - 338 | 1.7400 | 1.7325 | 1.7335 | -0.2 | 1.7335 | -0.1 | 1.7286 | 0.3 | 105.3 |
| Norway | (NKr) | 6.7695 | -0.0278 | 685 - 705 | 6.8005 | 6.7424 | 6.7745 | -0.9 | 6.7945 | -1.5 | 6.867 | -1.4 | 95.7 |
| Portugal | (Es) | 157.040 | -0.61 | 990 - 090 | 157.750 | 156.980 | 157.79 | -5.7 | 161.465 | -11.3 | 166.04 | -5.7 | 95.2 |
| Spain | (Pta) | 127.825 | -0.585 | 800 - 850 | 128.500 | 127.800 | 128.14 | -3.0 | 128.76 | -2.9 | 131.705 | -3.0 | 80.8 |
| Sweden | (SKr) | 7.4406 | -0.03 | 356 - 456 | 7.4751 | 7.4319 | 7.4571 | -2.7 | 7.4956 | -3.0 | 7.6881 | -3.3 | 80.6 |
| Switzerland | (SFr) | 1.2794 | -0.0061 | 790 - 797 | 1.2875 | 1.2790 | 1.2783 | 1.0 | 1.2762 | 1.0 | 1.2643 | 1.2 | 108.2 |
| UK | (£) | 1.5781 | +0.0017 | 777 - 785 | 1.5798 | 1.5732 | 1.5773 | 0.6 | 1.5754 | 0.7 | 1.5581 | 1.3 | 88.2 |
| Ecu | - | 1.2361 | +0.0048 | 358 - 363 | 1.2388 | 1.2315 | 1.2352 | 0.9 | 1.2333 | 0.9 | 1.208 | 2.4 | - |
| SDR† | - | 1.46475 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.0000 | -0.0001 | 999 - 000 | 1.0002 | 0.9999 | - | - | - | - | - | - | - |
| Brazil | (R) | 0.8560 | +0.005 | 550 - 570 | 0.8580 | 0.8550 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.3437 | -0.0001 | 433 - 440 | 1.3443 | 1.3405 | 1.3441 | -0.3 | 1.345 | -0.4 | 1.3533 | -0.7 | 84.5 |
| Mexico | (New Peso) | 3.4015 | -0.005 | 990 - 040 | 3.4050 | 3.3980 | 3.4025 | -0.4 | 3.4043 | -0.3 | 3.4117 | -0.3 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 95.3 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.3579 | +0.0142 | 574 - 583 | 1.3596 | 1.3461 | 1.3582 | -0.2 | 1.3589 | -0.3 | 1.3682 | -0.6 | 86.8 |
| Hong Kong | (HK$) | 7.7273 | +0.0003 | 270 - 275 | 7.7275 | 7.7265 | 7.727 | 0.0 | 7.7279 | 0.0 | 7.7428 | -0.2 | - |
| India | (Rs) | 31.3725 | +0.005 | 700 - 750 | 31.3750 | 31.3700 | 31.4575 | -3.3 | 31.6025 | -2.9 | - | - | - |
| Japan | (Y) | 97.7000 | -0.05 | 500 - 500 | 98.0300 | 97.5500 | 97.49 | 2.6 | 97.01 | 2.8 | 94.515 | 3.3 | 151.6 |
| Malaysia | (M$) | 2.5553 | +0.0018 | 548 - 556 | 2.5570 | 2.5530 | 2.5461 | 4.3 | 2.5348 | 3.2 | 2.6063 | -2.1 | - |
| New Zealand | (NZ$) | 1.6650 | +0.0087 | 636 - 664 | 1.6683 | 1.6565 | 1.6659 | -0.7 | 1.6678 | -0.7 | 1.6731 | -0.5 | - |
| Philippines | (Peso) | 26.3500 | +0.65 | 000 - 000 | 26.5000 | 25.8000 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 3.7506 | +0.0001 | 505 - 507 | 3.7508 | 3.7503 | 3.7519 | -0.4 | 3.756 | -0.6 | 3.7746 | -0.6 | - |
| Singapore | (S$) | 1.4765 | +0.0003 | 760 - 770 | 1.4788 | 1.4745 | 1.4752 | 1.1 | 1.4733 | 0.9 | 1.4665 | 0.7 | - |
| S Africa (Com.) | (R) | 3.5428 | -0.0022 | 420 - 435 | 3.5450 | 3.5315 | 3.5583 | -5.3 | 3.5866 | -4.9 | 3.6633 | -3.4 | - |
| S Africa (Fin.) | (R) | 4.3900 | - | 800 - 000 | 4.4120 | 4.3750 | 4.4237 | -9.2 | 4.4825 | -8.4 | - | - | - |
| South Korea | (Won) | 800.300 | - | 800 - 800 | 800.800 | 799.800 | 803.3 | -4.5 | 806.8 | -3.2 | 825.3 | -3.1 | - |
| Taiwan | (T$) | 26.2370 | +0.0107 | 350 - 390 | 26.2420 | 26.2320 | 26.257 | -0.9 | 26.297 | -0.9 | - | - | - |
| Thailand | (Bt) | 24.9350 | -0.015 | 300 - 400 | 24.9400 | 24.9170 | 25.0075 | -3.5 | 25.135 | -3.2 | 25.615 | -2.7 | - |

†SDR rate for Sep 20. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 20. Base average 1990=100

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Sep 21 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 19.10 | 16.59 | 4.855 | 2.011 | 4888 | 5.446 | 21.27 | 493.4 | 401.6 | 23.38 | 4.020 | 1.991 | 4.221 | 3.142 | 307.0 | 2.543 |
| Denmark | (DKr) | 52.35 | 10 | 8.688 | 2.541 | 1.053 | 2559 | 2.851 | 11.13 | 258.3 | 210.3 | 12.24 | 2.105 | 1.042 | 2.210 | 1.645 | 160.7 | 1.331 |
| France | (FFr) | 60.26 | 11.51 | 10 | 2.925 | 1.212 | 2946 | 3.282 | 12.81 | 297.3 | 242.0 | 14.09 | 2.423 | 1.200 | 2.544 | 1.893 | 185.0 | 1.532 |
| Germany | (DM) | 20.60 | 3.935 | 3.418 | 1 | 0.414 | 1007 | 1.122 | 4.381 | 101.6 | 82.73 | 4.815 | 0.828 | 0.410 | 0.870 | 0.647 | 63.25 | 0.524 |
| Ireland | (I£) | 49.72 | 9.498 | 8.251 | 2.414 | 1 | 2431 | 2.708 | 10.57 | 245.3 | 199.7 | 11.62 | 1.999 | 0.990 | 2.099 | 1.562 | 152.7 | 1.264 |
| Italy | (L) | 2.046 | 0.391 | 0.339 | 0.099 | 0.041 | 100. | 0.111 | 0.435 | 10.09 | 8.216 | 0.478 | 0.082 | 0.041 | 0.086 | 0.064 | 6.281 | 0.052 |
| Netherlands | (Fl) | 18.36 | 3.507 | 3.047 | 0.891 | 0.369 | 897.6 | 1 | 3.905 | 90.60 | 73.75 | 4.293 | 0.738 | 0.366 | 0.775 | 0.577 | 56.38 | 0.467 |
| Norway | (NKr) | 47.02 | 8.982 | 7.803 | 2.283 | 0.946 | 2299 | 2.561 | 10 | 232.0 | 188.9 | 10.99 | 1.890 | 0.936 | 1.985 | 1.478 | 144.4 | 1.196 |
| Portugal | (Es) | 20.27 | 3.871 | 3.363 | 0.984 | 0.408 | 990.7 | 1.104 | 4.310 | 100. | 81.40 | 4.738 | 0.815 | 0.404 | 0.856 | 0.637 | 62.23 | 0.515 |
| Spain | (Pta) | 24.90 | 4.756 | 4.132 | 1.209 | 0.501 | 1217 | 1.356 | 5.295 | 122.9 | 100. | 5.821 | 1.001 | 0.496 | 1.051 | 0.782 | 76.45 | 0.633 |
| Sweden | (SKr) | 42.78 | 8.171 | 7.099 | 2.077 | 0.860 | 2091 | 2.330 | 9.097 | 211.1 | 171.8 | 10 | 1.720 | 0.852 | 1.806 | 1.344 | 131.3 | 1.088 |
| Switzerland | (SFr) | 24.87 | 4.751 | 4.128 | 1.208 | 0.500 | 1216 | 1.355 | 5.290 | 122.7 | 99.90 | 5.815 | 1 | 0.495 | 1.050 | 0.782 | 76.37 | 0.632 |
| UK | (£) | 50.22 | 9.593 | 8.334 | 2.438 | 1.010 | 2455 | 2.735 | 10.68 | 247.8 | 201.7 | 11.74 | 2.019 | 1 | 2.120 | 1.578 | 154.2 | 1.277 |
| Canada | (C$) | 23.69 | 4.525 | 3.931 | 1.150 | 0.476 | 1158 | 1.290 | 5.038 | 116.9 | 95.14 | 5.538 | 0.952 | 0.472 | 1 | 0.744 | 72.74 | 0.602 |
| US | ($) | 31.83 | 6.079 | 5.281 | 1.545 | 0.640 | 1556 | 1.733 | 6.768 | 157.0 | 127.8 | 7.440 | 1.279 | 0.634 | 1.343 | 1 | 97.72 | 0.809 |
| Japan | (Y) | 32.57 | 6.221 | 5.405 | 1.581 | 0.655 | 1592 | 1.774 | 6.926 | 160.7 | 130.8 | 7.613 | 1.309 | 0.649 | 1.375 | 1.023 | 100. | 0.828 |
| Ecu | | 39.33 | 7.512 | 6.526 | 1.909 | 0.791 | 1922 | 2.142 | 8.363 | 194.0 | 157.9 | 9.193 | 1.581 | 0.783 | 1.660 | 1.236 | 120.8 | 1 |

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 0.6440 | 0.6449 | +0.0011 | 0.6465 | 0.6439 | 37,358 | 71,962 |
| Mar | - | 0.6451 | - | 0.6451 | - | 21 | 4,098 |
| Jun | - | 0.6450 | - | - | - | 3 | 477 |

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 1.0292 | 1.0285 | -0.0021 | 1.0314 | 1.0266 | 33,153 | 46,149 |
| Mar | 1.0364 | 1.0366 | -0.0027 | 1.0366 | 1.0355 | 156 | 2,333 |
| Jun | - | 1.0477 | - | - | - | 1 | 450 |

### EMS EUROPEAN CURRENCY UNIT RATES

| Sep 21 | Ecu cen. rates | Rate against Ecu | Change on day | % +/- from cen. rate | % spread v weakest | Div. ind. |
|---|---|---|---|---|---|---|
| Netherlands | 2.19672 | 2.15208 | +0.00098 | -2.03 | 5.01 | - |
| Belgium | 40.2123 | 39.5076 | +0.0173 | -1.75 | 4.71 | 13 |
| Ireland | 0.808628 | 0.794483 | -0.000691 | -1.75 | 4.71 | 12 |
| Germany | 1.94964 | 1.92032 | +0.00154 | -1.50 | 4.45 | - |
| France | 6.53883 | 6.56066 | +0.00001 | 0.33 | 2.53 | -3 |
| Portugal | 192.854 | 195.141 | +0.092 | 1.19 | 1.67 | -8 |
| Denmark | 7.43679 | 7.54912 | +0.00083 | 1.51 | 1.35 | -10 |
| Spain | 154.250 | 158.687 | -0.187 | 2.88 | 0.00 | -20 |
| NON ERM MEMBERS | | | | | | |
| Greece | 264.513 | 292.254 | +0.217 | 10.49 | -6.89 | - |
| Italy | 1793.19 | 1927.66 | -7.06 | 7.50 | -4.30 | - |
| UK | 0.786749 | 0.785864 | -0.000036 | -0.14 | 3.02 | - |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

| Strike Price | CALLS Oct | Nov | Dec | PUTS Oct | Nov | Dec |
|---|---|---|---|---|---|---|
| 1.500 | 7.32 | 7.35 | 7.53 | - | 0.10 | 0.43 |
| 1.525 | 4.92 | 5.16 | 5.52 | 0.05 | 0.40 | 0.89 |
| 1.550 | 2.77 | 3.28 | 3.80 | 0.41 | 1.00 | 1.64 |

## WORLD INTEREST RATES

## UK INTEREST RATES

## BASE LENDING RATES

# MONEY MARKET FUNDS

## Money Market Trust Funds

## Money Market Bank Accounts

# WORLD STOCK MARKETS

## EUROPE

AUSTRIA (Sep 21 / Sch)

BELGIUM/LUXEMBOURG (Sep 21 / Frs.)

DENMARK (Sep 21 / Kr)

FINLAND (Sep 21 / Mka)

FRANCE (Sep 21 / Frs.)

GERMANY (Sep 21 / Dm.)

ITALY (Sep 21 / Lire)

NETHERLANDS (Sep 21 / Fls.)

NORWAY (Sep 21 / Kroner)

SPAIN (Sep 21 / Ptas.)

SWEDEN (Sep 21 / Kronor)

SWITZERLAND (Sep 21 / Frs.)

## PACIFIC

JAPAN (Sep 21 / Yen)

HONG KONG (Sep 20 / H.K.$)

MALAYSIA (Sep 21 / MYR)

SINGAPORE (Sep 21 / S$)

AUSTRALIA (Sep 21 / AustS)

## NORTH AMERICA

CANADA

TORONTO (Sep 21 / Can $) 4 pm close

MONTREAL (Sep 21 / Can $) 4 pm close

## AFRICA

SOUTH AFRICA (Sep 21 / Rand)

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO – MOST ACTIVE STOCKS: Wednesday, September 21, 1994

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Nippon Steel | 21.7m | 388 | +3 | Nikko Secs | 5.4m | 1110 | -10 |
| NKK Corp | 12.3m | 285 | +5 | Mitsubishi Heavy | 5.3m | 766 | +6 |
| OKI Electric | 10.3m | 788 | +16 | General Sekiyu | 4.5m | 1260 | |
| Kawasaki Steel | 9.8m | 438 | +5 | Hitachi | 4.0m | 965 | +6 |
| Sumitomo Metal | 9.6m | 343 | -6 | Kobe Steel | 4.0m | 327 | -1 |

## INDICES

| | Sep 21 | Sep 20 | Sep 19 | 1994 High | | 1994 Low | |
|---|---|---|---|---|---|---|---|
| Composite♦ (1975) | [illegible] | [illegible] | [illegible] | [illegible] | | [illegible] | |
| Portfolio$$ (4/1/83) | (u) | 2082.46 | 2116.06 | 2182.69 | 1/2 | 1053.17 | 20/7 |
| **Chile** | | | | | | | |
| IPGA Gen (31/12/80) | (u) | 4943.4 | (c) | 4947.40 | 16/9 | 3901.20 | 4/4 |
| **Denmark** | | | | | | | |
| Copenhagen SE (3/1/83) | 352.01 | 354.11 | 354.51 | 415.79 | 2/2 | 352.01 | 21/9 |
| **Finland** | | | | | | | |
| HEX General (28/12/90) | 1662.0 | 1679.2 | 1694.4 | 1872.00 | 4/2 | 1601.10 | 3/1 |
| **France** | | | | | | | |
| SBF 250 (31/12/90) | 1280.23 | 1294.88 | 1301.82 | 1585.20 | 2/2 | 1265.36 | 4/7 |
| CAC 40 (31/12/87) | 1897.18 | 1919.25 | 1922.87 | 2355.93 | 2/2 | 1888.18 | 4/7 |
| **Germany** | | | | | | | |
| FAZ Aktien (31/12/58) | 785.18 | 787.78 | 798.15 | 858.27 | 18/5 | 757.51 | 27/6 |
| Commerzbank (1/12/53) | 2230.9 | 2239.9 | 2262.9 | 2465.50 | 2/5 | 2148.30 | 27/6 |
| DAX (30/12/87) | 2079.50 | 2078.96 | 2096.76 | 2271.11 | 16/5 | 1968.82 | 20/6 |
| **Greece** | | | | | | | |
| Athens SE (31/12/80) | 852.20 | 854.02 | 861.50 | 1194.58 | 18/1 | 806.67 | 25/5 |
| **Hong Kong** | | | | | | | |
| Hang Seng (31/7/64) | (c) | 9524.75 | 9801.43 | 12201.09 | 4/1 | 8368.44 | 4/5 |
| **India** | | | | | | | |
| BSE Sens. (1979) | 4507.11 | 4480.38 | 4553.73 | 4628.57 | 13/9 | 3454.98 | 5/1 |
| **Indonesia** | | | | | | | |
| Jakarta Comp (10/8/82) | 517.09 | 521.77 | 522.05 | 612.88 | 5/1 | 449.72 | 12/7 |
| **Ireland** | | | | | | | |
| ISEQ Overall (4/1/88) | 1865.14 | 1885.62 | 1901.85 | 2082.16 | 20/1 | 1804.14 | 1/7 |
| **Italy** | | | | | | | |
| Banca Comm Ital (1972) | 678.34 | 673.43 | 674.53 | 817.17 | 10/5 | 588.83 | 10/1 |
| MIB General (4/1/94) | 1089.0 | 1091.0 | 1093.0 | 1318.00 | 10/5 | 944.00 | 10/1 |
| **Japan** | | | | | | | |
| Nikkei 225 (16/5/49) | 19885.39 | 19837.27 | 19564.11 | 21552.81 | 13/6 | 17369.74 | 4/1 |
| Nikkei 300 (1/10/82) | 289.84 | 288.96 | 285.27 | 311.71 | 13/6 | 268.22 | 4/1 |
| Topix (4/1/68) | 1585.96 | 1581.11 | 1561.63 | 1712.73 | 13/6 | 1445.97 | 4/1 |
| 2nd Section (4/1/68) | 2246.84 | 2242.87 | 2239.57 | 2542.65 | 6/7 | 1873.33 | 4/1 |
| **Malaysia** | | | | | | | |
| KLSE Comp (4/4/86) | 1121.14 | 1185.65 | 1180.66 | 1314.46 | 5/1 | 828.59 | 4/4 |
| **South Africa** | | | | | | | |
| JSE Gold (28/9/78) | 2471.0♥ | 2436.0 | 2357.0 | 2534.00 | 7/9 | 1749.00 | 14/2 |
| JSE Ind. (28/9/78) | 6368.0♥ | 6438.0 | 6453.0 | 6757.00 | 15/6 | 5446.00 | 19/1 |
| **South Korea** | | | | | | | |
| KoreaCmpEx (4/1/80)** | (c) | (c) | (c) | 1023.61 | 17/9 | 855.37 | 2/4 |
| **Spain** | | | | | | | |
| Madrid SE (30/12/85) | 294.79 | 296.72 | 300.43 | 358.31 | 31/1 | 291.43 | 6/7 |
| **Sweden** | | | | | | | |
| AffarsvardnGen (1/2/37) | 1420.2 | 1432.8 | 1443.1 | 1603.90 | 31/1 | 1334.70 | 6/7 |
| **Switzerland** | | | | | | | |
| Swiss Bk Ind (31/12/58) | 1224.73 | 1227.10 | 1236.03 | 1423.34 | 31/1 | 1157.97 | 18/7 |
| SBC General (1/4/87) | 923.78 | 923.87 | 930.71 | 1093.29 | 31/1 | 888.10 | 13/7 |
| **Taiwan** | | | | | | | |
| WeightedPr. (30/6/66)** | 6996.98 | (c) | (c) | 7048.24 | 17/9 | 5194.65 | 19/2 |
| **Thailand** | | | | | | | |
| Bangkok SET (30/4/75) | 1531.98 | 1530.05 | 1540.20 | 1753.73 | 4/1 | 1196.59 | 4/4 |
| **Turkey** | | | | | | | |
| Istanbul Comp. (Jan 1986) | 24342.51 | 23908.3 | 22785.0 | 28883.60 | 13/1 | 12580.70 | 24/3 |
| **WORLD** | | | | | | | |
| MS Capital Int (1/1/70)$ | 630.0* | 631.3 | 632.0 | 644.00 | 2/9 | 591.60 | 4/4 |
| **CROSS-BORDER** | | | | | | | |
| Eurotrack 100 (26/10/90) | 1340.34 | 1342.33 | 1355.96 | 1548.19 | 31/1 | 1303.48 | 21/6 |
| Euro Top-100 (26/6/90) | 1178.04 | 1183.11 | 1192.91 | 1311.01 | 2/2 | 1143.06 | 21/6 |
| JCapeOrgns (31/12/88) | (u) | 342.02 | 341.12 | 385.19 | 5/1 | 290.28 | 21/3 |
| Bartogs Emerg (7/1/92) | 189.66 | 190.65 | 190.70 | 190.70 | 19/9 | 141.65 | 21/4 |

■ CAC-40 STOCK INDEX FUTURES (MATIF)

| | Open | Sett Price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 1927.0 | 1904.0 | -21.0 | 1928.0 | 1902.0 | 24,836 | 34,924 |
| Oct | 1937.0 | 1913.0 | -21.0 | 1937.0 | 1911.5 | 2,145 | 7,153 |
| Dec | 1958.0 | 1931.5 | -21.5 | 1956.0 | 1929.0 | 1,892 | 18,123 |

Open interest figures for previous day

## US INDICES

| Dow Jones | Sep 20 | Sep 19 | Sep 16 | 1994 High | 1994 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 3869.09 | 3936.72 | 3933.35 | 3978.36 (31/1) | 3593.35 (4/4) | 3978.36 (31/1/94) | 41.22 (2/7/32) |
| Home Bonds | 97.43 | 97.19 | 97.08 | 105.61 (21/1) | 96.43 (13/5) | 109.77 (18/10/93) | 54.99 (1/10/81) |
| Transport | 1516.66 | 1552.53 | 1566.33 | 1862.29 (2/2) | 1516.66 (20/9) | 1862.29 (2/2/94) | 12.32 (8/7/32) |
| Utilities | 175.65 | 178.09 | 177.23 | 227.06 (3/1) | 175.65 (20/9) | 256.46 (31/8/93) | 10.50 (8/4/32) |

DJ Ind. Day's high 3932.01 (3972.72) Low 3859.67 (3908.80) (Theoretical♦)
Day's high 3934.70 (3953.30) Low 3868.76 (3928.64) (Actual♦)

| Standard and Poors | Sep 20 | Sep 19 | Sep 16 | 1994 High | 1994 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite ‡ | 463.36 | 470.85 | 471.19 | 482.00 (2/2) | 438.92 (4/4) | 482.00 (2/2/94) | 4.40 (1/6/32) |
| Industrials♥ | 548.93 | 557.28 | 557.02 | 560.83 (15/9) | 510.05 (21/4) | 560.83 (15/9/94) | 3.62 (21/6/32) |
| Financial | 43.98 | 45.02 | 45.42 | 46.94 (14/6) | 41.39 (4/4) | 48.40 (28/9/93) | 8.64 (1/10/74) |
| NYSE Comp. | 255.91 | 259.63 | 259.77 | 267.71 (2/2) | 243.14 (4/4) | 267.71 (2/2/94) | 4.46 (25/4/42) |
| Amex Mkt Val | 458.15 | 461.13 | 459.86 | 487.89 (2/2) | 422.57 (28/6) | 487.89 (2/2/94) | 29.31 (9/12/72) |
| NASDAQ Cmp | 766.74 | 776.72 | 777.91 | 803.93 (18/3) | 693.79 (24/6) | 803.93 (18/3/94) | 54.87 (31/10/72) |

■ RATIOS

| | Sep 16 | Sep 9 | Sep 2 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 2.69 | 2.71 | 2.63 | 2.82 |
| | Sep 14 | Sep 7 | Aug 31 | Year ago |
| S & P Ind. Div. yield | 2.37 | 2.37 | 2.33 | 2.47 |
| S & P Ind. P/E ratio | 20.91 | 20.96 | 21.11 | 27.84 |

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 463.80 | 464.85 | +0.90 | 465.55 | 463.70 | 82,638 | 203,802 |
| Mar | 468.05 | 467.90 | +0.85 | 468.20 | 467.90 | 730 | 6,398 |
| Jun | - | 471.45 | - | 471.45 | - | 11 | 2,049 |

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

| Tuesday | Stocks traded | Close price | Change on day |
|---|---|---|---|
| Org Equip | 5,038,100 | 27½ | +1⅛ |
| Wal-Mart | 4,836,800 | 23⅞ | –⅛ |
| Micron | 4,783,400 | 38 | –1⅝ |
| AT&T | 4,315,500 | 55⅞ | –⅛ |
| Ford Motor | 4,120,400 | 27¾ | –⅛ |
| RJ Nabisco | 4,100,400 | 6⅞ | –⅛ |
| Amer Barrick | 3,637,900 | 25½ | +⅛ |
| Telefonos | 3,161,600 | 63⅞ | –⅛ |
| Nat Med Ent | 2,943,400 | 17¾ | –1 |
| Coca Co | 2,924,300 | 48¾ | –⅛ |

■ TRADING ACTIVITY

| ● Volume (million) | Sep 20 | Sep 19 | Sep 16 |
|---|---|---|---|
| New York SE | 325.901 | 272.797 | 410.625 |
| Amex | 18.853 | 15.573 | 17.332 |
| NASDAQ | 273.917 | 237.144 | 289.795 |
| **NYSE** | | | |
| Issues Traded | 2,873 | 2,875 | 2,868 |
| Rises | 468 | 953 | 722 |
| Falls | 1,810 | 1,213 | 1,406 |
| Unchanged | 595 | 709 | 740 |
| New Highs | 31 | 67 | 49 |
| New Lows | 130 | 60 | 83 |

** Sat Sep 17: Taiwan Weighted Price 7048.24, Korea Comp Ex 1023.61. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – at 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. $$ Montreal ♦ Toronto (c) Closed (u) Unavailable † IBIS/DAX after-hours index: Sep 21 – 2067.17 +8.02

* Correction. * Calculated at 15.00 GMT ● Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. The figures in brackets are previous day's. ♥ Subject to official recalculation.

*4 pm close September 21*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 1994 High | Low | Stock | Div | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 17 3/8 | 12 5/8 | AAR | 0.48 | 3.8 | 21 | 292 | 12 7/8 | d12 1/2 | 12 5/8 | -1/8 |
| 16 7/8 | 12 5/8 | A L Labs A | 0.18 | 1.2 | 35 | 150 | 15 5/8 | 15 3/8 | 15 1/2 | -3/8 |
| 75 1/4 | 57 3/8 | AMP | 1.68 | 2.3 | 25 | 2256 | 73 3/8 | 72 5/8 | 73 3/8 | -1/8 |
| 72 1/4 | 52 1/8 | AMR | | | 92 | 9261 | 54 1/4 | d52 | 53 | -1 1/4 |
| 5 | 3 3/8 | ARX | | | 13 | 6 | 3 7/8 | 3 3/4 | 3 7/8 | |
| 58 1/8 | 38 5/8 | ASA | 2.00 | 3.9 | 34 | 1164 | 52 3/4 | 51 1/2 | 51 5/8 | -7/8 |
| 31 3/8 | 25 3/8 | AbbtL | 0.76 | 2.5 | 17 | 7793 | 30 1/2 | 29 7/8 | 30 3/8 | +1/2 |
| 15 1/4 | 11 3/8 | AbitibiPr | 0.50 | 3.4 | 11 | 228 | 15 | 14 1/2 | 14 1/2 | -5/8 |
| 23 5/8 | 17 3/4 | ABM Ind | 0.52 | 2.4 | | 14 | 22 | 21 7/8 | 22 | |
| 15 1/8 | 11 1/8 | Acptncain | | | 27 | 54 | 14 3/4 | 14 5/8 | 14 3/4 | +1/4 |
| 31 | 22 3/8 | ACE Ltd | 0.44 | 1.7 | 31 | 110 | 25 1/4 | 24 3/8 | 25 1/4 | +3/4 |
| 12 1/2 | 9 5/8 | ACM Gvt In | 1.09 | 11.2 | | 316 | 9 3/4 | d9 5/8 | 9 3/4 | |
| 10 1/8 | 7 1/8 | ACM GvOpp | 0.80 | 11.0 | | 193 | 7 3/8 | d7 1/8 | 7 1/4 | |
| 10 5/8 | 7 1/2 | ACM Gvt Sp | 0.96 | 12.6 | | 254 | 7 5/8 | d7 1/2 | 7 5/8 | |
| 12 | 8 1/2 | ACM Gvt Se | 1.09 | 13.1 | | 615 | 8 1/2 | d8 3/8 | 8 3/8 | -1/8 |
| 11 3/4 | 8 3/8 | ACM Man | 1.08 | 12.7 | | 342 | 8 3/4 | 8 1/2 | 8 1/2 | -1/4 |
| 9 1/4 | 8 | ACM Manegd | 0.72 | 8.9 | | 165 | 8 1/4 | 8 1/8 | 8 1/8 | |
| 15 1/2 | 8 3/4 | AcmeClv | 0.44 | 3.4 | 16 | 50 | 13 1/4 | 13 | 13 1/8 | -3/8 |
| 9 7/8 | 6 1/2 | Acme Elect | | | 7 | 31 | 8 7/8 | 8 3/4 | 8 3/4 | +1/8 |
| 28 3/4 | 23 | Acordia | 0.60 | 2.2 | 13 | 9 | 27 1/8 | 27 | 27 | -1/8 |
| 13 3/4 | 5 3/4 | Actava | 0.36 | 3.6 | 2 | 585 | 10 1/8 | 10 | 10 | |
| 16 1/8 | 11 1/4 | Acuson | | | 113 | 597 | 15 1/2 | 14 3/4 | 14 3/4 | -3/4 |
| 18 3/8 | 16 1/2 | Adams Expr | 0.48 | 2.8 | 0 | 188 | 17 3/8 | 17 1/8 | 17 1/4 | -1/8 |
| 64 | 46 1/2 | Ad Micro | 3.00 | 5.1 | | 451 | 60 1/8 | 58 5/8 | 59 | -1 1/2 |
| 31 3/4 | 16 3/4 | AdvMic | 3.00 | 10.3 | 12 | 7608 | 28 3/4 | 28 1/2 | 28 1/8 | -1/2 |
| 6 7/8 | 5 | Advest Grp | 0.16 | 3.1 | 8 | 55 | 5 1/4 | 5 1/8 | 5 1/8 | -1/8 |
| 20 | 15 | Advo Inc | 0.10 | 0.6 | 119 | 9 | 17 7/8 | 17 5/8 | 17 7/8 | +1/4 |
| 58 1/2 | 49 3/8 | Aegon ADR | 1.47 | 2.6 | 12 | 81 | 56 3/8 | 55 3/4 | 56 1/4 | +1/2 |
| 65 3/4 | 46 | AetnaL | 2.76 | 6.1 | 6 | 3045 | 46 3/8 | d44 7/8 | 45 3/8 | -5/8 |
| 38 1/8 | 25 3/4 | Aflac | 0.46 | 1.4 | 14 | 2820 | 33 5/8 | 33 1/4 | 33 5/8 | |
| [illegible] | | | | | | | | | | |



Continued on next page

4 pm close September 21

# NYSE COMPOSITE PRICES

Continued from previous page

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Telekurs

# AMEX COMPOSITE PRICES

4 pm close September 21

# NASDAQ NATIONAL MARKET

4 pm close September 21

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

FINANCIAL TIMES Thursday September 22 1994

AMERICA

# US equities extend losses at midsession

## Wall Street

US stocks extended their losses yesterday morning as pessimism over monetary policy continued to dominate investment strategies, *writes Frank McCurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 26.24 lower at 3,842.85, while the more broadly based Standard & Poor's 500 was down 2.24 at 461.12. Volume on the Big Board was fairly heavy, with 210m shares traded by early afternoon.

In the secondary markets, the American SE composite was 2.97 weaker at 455.18, and *the Nasdaq composite was off* 5.60 at 761.14.

Bargain hunters were in short supply at the opening, despite a 67-point tumble by the Dow the previous session.

On balance, the day's economic news was neutral for stocks. The commerce department said August housing starts had risen by 2.1 per cent, surprising analysts who were expecting a small decline. But economists later explained away the increase as a reflection of activity in the multi-family sector. Single-family starts, viewed as a more accurate barometer, were down last month.

Equity investors again interpreted the data through its impact on bond prices. Initially, the announcement of the headline figure send Treasuries into retreat. Stocks took the bait and plunged. After the data had been interpreted, bonds quickly pulled back to within a few steps of their starting point. The Dow industrials followed suit.

By early afternoon, however, the blue chip index was still showing solid losses, as investors tried to calculate the odds on whether the Federal Reserve policy would remain on hold until after the November elections.

Mr Wayne Angell, chief economist for Bear Stearns and a former Fed governor, came out on the side of those betting on an early move, saying there was a 60 per cent chance the *central bank would decide to* tighten at its September 27 policy meeting.

With such speculation afoot, the market's negative tone would not budge. By early afternoon, losing issues on the NYSE held a three-to-one advantage over the advances.

Most of the declines were fractional. Caterpillar slipped $⅝ to $54⅞, IBM edged $¼ lower to $69⅞ and Sears shed $⅝ to $48¼. Among the Dow components, United Technologies stood out with a $1⅞ setback to $61⅞.

The session's biggest loser was Maybelline, whose share prices plunged 25 per cent, or $6⅛ to $18½. The cosmetics company warned that its third-quarter net income would fall short of last year's result.

Banco Wiese climbed $3⅞ to $23⅞ in its debut session. It become the first Peruvian stock to be listed on the NYSE with its IPO of 2.4m shares.

On the Nasdaq, Lotus Development led the technology sector's slide. The stock fell $2¼ to $38¼ after Mr Timothy McCollum, an analyst at Dean Witter Reynolds, warned that lacklustre European sales could depress third-quarter results.

## Canada

Toronto was under pressure from US bond losses at midday, with Wall Street's weakness adding to the downward impetus. The TSE 300 composite was 19.77 lower at 4,357.10 by *noon in brisk volume of 36.6m.*

The transportation sector led declines with a fall of 1.6 per cent as Laidlaw A shares gave up C$⅛ to C$10⅞ after Tuesday's news that it was to sell its stake in Attwoods to Browning-Ferris Industries.

## Brazil

Shares were up more than 2 per cent in early trading in São Paulo as prices rallied on renewed optimism over the chances of presidential candidate Mr Fernando Henrique Cardoso securing election on the first ballot on October 3.

The Bovespa index was up 1,147 at 52,921 in turnover of R$171.1m ($199.4m).

Mr Cardoso is currently leading opinion polls with 45 per cent of the vote.

# Golds take lead in S Africa

Gold shares took the lead for the second consecutive session encouraged by the bullion price. But some industrials retreated on some big sell orders and generally negative sentiment.

Brokers noted that gold shares were reluctant to move with the bullin price at $393/94 and there was some selling into strength, but investors began to pick up interest after midday when it went through $396.50. By the close of trade, bullion was easier around $394/5.

September near-term futures still called the market substantially lower and there was continued nervousness on lack of clear direction from international markets.

The overall index shed 18 to 5,782. The industrial index lost 70 to 6,368 but the gold index was 38 up at 2,473.

In golds, Vaal Reefs gained R16 to R488 and Kloof added R1.75 to R71.75.

EUROPE

# Paris dips below 1,900 despite M3 data

The German M3 data lifted sentiment in the morning, countering Wall Street's fall on Tuesday, but trading was generally nervous.

FRANKFURT saw a volatile day as the Dax index hit an early low of 2,079.50 before closing the official session just 0.54 ahead at 2,079.50.

The M3 data which was released early on had a positive impact on trading as it came in much better than analysts' had been expecting.

The Bundesbank reported that German M3 money supply grew by an annualised 8.2 per cent in August, down from 9.8 per cent in July. Expectations had been for an increase of between 8.5 to 9.0 per cent.

In the Ibis the Dax strengthened slightly to 2,067.17.

Turnover was DM6.5bn.

PARIS closed under the 1,900 *level for the first time since* the beginning of July as fears that interest rates might have to rise throughout Europe outweighed the better than expected German data.

The CAC-40 index retreated 22.07, or 1.15 per cent, to 1,897.18

Turnover was FFr3.53bn.

**FT-SE Actuaries Share Indices**

| Sep 21 | | | | | THE EUROPEAN SERIES | | | |
|---|---|---|---|---|---|---|---|---|
| Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
| FT-SE Eurotrack 100 | 1341.85 | 1340.77 | 1340.94 | 1340.97 | 1342.07 | 1344.86 | 1340.21 | 1340.34 |
| FT-SE Eurotrack 200 | 1387.15 | 1385.12 | 1384.56 | 1383.05 | 1384.82 | 1387.91 | 1384.85 | 1383.82 |
| | Sep 20 | Sep 19 | Sep 16 | Sep 15 | Sep 14 | | | |
| FT-SE Eurotrack 100 | 1342.33 | 1356.98 | 1358.91 | 1368.54 | 1360.68 | | | |
| FT-SE Eurotrack 200 | 1388.74 | 1404.55 | 1406.28 | 1415.84 | 1401.56 | | | |

Base 1000 (26/10/90); Highday: 100 - 1347.50; 200 - 1389.82 Lowday: 100 - 1339.75 200 - 1381.86 † Partial

The budget did not cause a stir as most of the proposals had already been in the market.

Eridania Beghin-Say lost FFr59 to FFr750 on news that the chairman was to resign. The company also announced *first half half results, which* were at the bottom end of expectations.

Canal Plus fell FFr25 to FFr874 on first half results released after the close on *Tuesday, which were down* some 25 per cent and a forecast of a net profit fall for the full year.

ZURICH marked time in moderate trading, supported by the German M3 data, but awaiting further developments on Wall Street and the SMI index rose just 1.0 to 2,594.0.

Shares in Swiss Reinsurance jumped SFr23 or 3.8 per cent to SFr628 in heavy turnover amid rumours that the company planned to sell its stake in Eliva Swiss Insurance. Elvia put on SFr40 or 2.1 per cent to SFr1,910

*Banks were mixed mixed,* with SBC falling SFr2 to SFr373, but CS Holding, which fell On Tuesday after news of its takeover bid for a regional Swiss bank, picking up SFr1 to SFr549.

AMSTERDAM declined moderately but trading was slow. The AEX index finished 0.46 easier at 401.09.

Philips was the most actively traded stock, going against the trend with a gain of 10 cents to Fl 54.80 in volume of some 1.5m shares.

Unilever, off 70 cents at Fl 194.00, was affected by reports of lower domestic sales for its washing powders and the weaker dollar.

MILAN found corporate developments a welcome diversion from political and budget considerations and the Comit index rose 4.91 to 678.34.

Italcementi was L180 better at L11,800 in the wake of Tuesday's higher-than-expected first half results and Fondiaria dipped L25 to L11,755 after releasing first half figures that were in line with expectations.

Manufacturers were underpinned by strong June industrial sales and orders figures. *Fiat was up L77 at L6,694 and* Pirelli rose L47 to L2,608. Olivetti, under pressure in recent sessions, was L11 higher at L2,027 ahead of today's first-half results.

BCI gained L89 or 2.3 per cent to L4,031 as the market registered its relief that the L2,400bn rights issue had closed.

Insurers continued to gain on hopes that they would benefit from pensions reform.

Generali closed L371 higher at L39,884, RAS was up L429 at L25,728 and Toro was L210 higher at L27,520.

MADRID was lower in trader-dominated volatile activity as the market tracked fluctuations in the dollar and bonds, and the general index was down 1.93 at 294.79 in turnover of Pta23.3bn.

DENMARK was holding its general election yesterday. Unibank Securities said that it expected the outcome to be a Social Democratic government with or without the participation of the Social Liberals. But political stability could be affected by the inclusion of the Socialist People's party and the Red/Green Alliance, making it *more doubtful that major* reforms could be implemented.

The KFX index was down 0.54 at 96.45.

STOCKHOLM picked up from early losses but turned lower again late in the day after Mr Ingvar Carlsson's announcement that he intended to form a minority SDP government. The Affärsvärlden Index fell 12.60 to 1,420.2.

**Written and edited by John Pitt and Michael Morgan**

ASIA PACIFIC

# Kuala Lumpur records an eight-month high

## Tokyo

Buying by public funds, investment trusts and overseas investors countered corporate selling and the Nikkei index gained ground in spite of the higher yen and the overnight decline on Wall Street, *writes Emiko Terazono in Tokyo.*

The Nikkei index rose 48.11 to 19,885.38 after a high of 19,961.59 and a low of 19,691.44. The index initially fell on worries which were triggered by the yen's rise against the dollar and by declines in US stock and bond prices.

Arbitrage unwinding coupled with selling by companies looking to boost their interim earnings weighed on prices. However, postal savings and postal insurance, together with investment trust funds, lifted the index in the afternoon.

The US currency closed below the Y98 level for the first time in two months in spite of heavy Bank of Japan dollar buying intervention. The dollar's weakness was triggered by the larger than expected US trade deficit figures released on Tuesday.

Volume rose to 380m shares against 342m. The Topix index of all first section stocks added 4.85 to 1,585.96, while the Nikkei 300 rose 0.88 to 289.84. Advances led declines 546 to 458, with 182 issues remaining unchanged.

In London, the ISE/Nikkei 50 index rose 1.00 to 1,296.33. Large capital steels were traded actively amid profit taking by corporate investors and buying by public funds and overseas investors. Nippon Steel, the most active issue of the day, rose Y3 to Y388 after hitting a year's high of Y390 and NKK added Y5 to Y285.

Semiconductor related stocks were higher. Oki Electric rose Y16 to Y788. The company had said earlier this week that its pre-tax profit would rise to a record Y30bn thanks to firm *sales of semiconductors and its* rationalisation programme.

Brokers were mixed. Yamaichi Securities fell Y11 to Y773 and Nikko retreated Y10 to Y1,110 while Nomura Securities gained Y10 to Y2,120. After the market closed, the Big Four and second tier brokers announced downward revisions of interim earnings due to the lower than expected trading volume on the Tokyo stock market.

In Osaka, the OSE average rose 107.97 to 22,089.58 in volume of 462.7m shares.

## Roundup

Wall Street's overnight fall dampened the mood in much of the region although there were exceptions. Hong Kong and Seoul were closed for public holidays.

KUALA LUMPUR was spurred to an eight-month high by gains in key blue chip stocks, although the broader market was easier as investors locked in profits.

The composite index closed 5.49 higher at 1,191.14, but falls led rises 287 to 156.

Volume was a heavy 585m shares as retail investors swarmed into rumour-driven stocks. MBf Capital again led the pack on takeover rumours, adding another 22 cents to M$4.20 in volume of 50.9m shares.

Berjaya South Island jumped M$9.30 or 62 per cent to M$24.0, after Tuesday's M$2.70 advance, amid talk of a water sewage project.

SHANGHAI's volatile A share index surged 6.2 per cent in a technical rebound after the heavy losses of the previous six sessions. The index put on 58.31, through the 1,000 level, to finish at 1,003.22 in turnover of Yn3.92bn.

The day's star performer was Fuzhou Dong Jie Kou Department Store, up Yn1.90 or 17.6 per cent to Yn12.68 in huge volume of 7.12m shares.

Shanghai's B share index edged up 0.40 to 83.76 on very thin volume. Shenzhen's A share index rose 10.51 or 4.9 per cent, to 227.04 but the B market halted trading for the public holiday in Hong Kong.

BANGKOK rebounded from early falls amid buying of finance and communications issues.

The SET index closed 1.93 higher at 1,531.98 after falling as low as 1,506.90.

Securities One soared Bt56 to Bt884 after announcing a capital increase.

SYDNEY was lower in line with Wall Street's overnight decline, and the All Ordinaries index dropped 18.5 to 2,026.6, its lowest closing level since July 14.

The media sector recorded heavy falls with News Corp 24 cents lower at A$8.21 after its ADRs fell in New York.

TAIPEI finished lower in active trade amid profit-taking on financials and worries about uncertainty in overseas financial markets. The weighted index ended 48.80 lower at 6,999.44, off a 7,092.06 high. Turnover was T$64.3bn.

Elitegroup Computer rose by the daily 7 per cent limit to T$51 on its debut.

MANILA was steady with mining issues rising to counter the downtrend in commercial issues. The composite index settled 0.27 up at 2,920.46 in volume that dropped to 2.5bn shares from Tuesday's 3.1bn.

Philex Mining led the mining issue rally as its share price jumped 3.9 per cent to 2.70 pesos.

BOMBAY was led ahead by late buying by domestic mutual funds, which reversed an easier trend during the first half of the session as Calcutta-based traders liquidated holdings on the last day of their fortnightly account.

The BSE 30 share index, which had lost more than 120 points in the previous two sessions, picked up 18.73 to 4,507.11.

● The IFC weekly emerging markets table has been held over this week and will be published tomorrow.

# FT-Actuaries World Indices

At its last quarterly meeting, the FT-Actuaries World Index Policy Committee noted the growing number of companies choosing to separate their registration, tax domicile, share pricing, business and stock market listing into different countries. If a sufficient number of large companies can be found that individually satisfy the FT-AWI eligibility criteria, the Committee may consider establishing an International index, allowing such companies to be included in the World Index, although not in any of the existing country indices. The Committee would welcome comments.

● The Committee ratified its previously announced clarification of the guidelines regarding treatment of certain government holdings in companies. This will be applied with effect from October 1.

● A change has been proposed (subject to confirmation) in the procedures governing the FT-AWI Large and Medium-Small Cap Indices. Currently new *constituents are ranked as* Large or Medium-Small on the date that they are added to the Index. This makes it impossible to preannounce Large and Medium-Small Cap Indices changes when this is done for the main FT-AWI series. In order to give users of the Large and Medium-Small Cap Indices the same notice as users of the other FT-AWI indices, the following amendments are proposed:

1. Rank stocks before their effective addition date. These rankings would be "official" and would not change, regardLess of changes in market capitalisation between the ranking date and the addition date.

2. We currently use a 15-day notice period for the semi-annual re-balancing. However, the changes are implemented 15 days after the beginning of the quarter (January 15 and July 15), leaving no way to preannounce the rankings for the regular quarterly changes.

3. To address this issue, the semi-annual re-balancings for the Large and Medium-Small Cap Indices will be moved from January and July to March and September, with the changes effective from April 1 and October 1. This will enable us to preannounce the constituent changes to the Large and Medium-Small Cap Indices. Other constituent changes in the main series of indices will carry an indication of Large or Medium-Small Cap classification. If implemented, the effect of the change would be to omit the January re-balancing for 1995 and to carry out the first semi-annual re-balance on the new basis in March 1995.

● The following constituent changes to the Indices were agreed following full market reviews, to take effect on October 3 1994:

France. Additions: Crédit Local de France; Christian Dior; Poliet; Lagardère Group; Castorama DuBois; Cap Gemini Sogeti; Sidel. Deletions: Elf-Aquitaine (certs.); Salins du Midi; Radiotechnique.

Netherlands. Deletions: AMEV; New Rothmans Units; Central Suiker (CSM); Gist-Brocades; Nutricia; Nedlloyd Group; Pakhoed Holding; Fokker.

New Zealand. Additions: Fernz; Ceramco; Progressive Enterprises; Skellerup Group. Deletions: DB Group; Tasman Properties; Wilson Neil; Corporate Investments.

Spain. Addition: Fomento de Construc y Contra. Deletions: Duro Felguero; Agroman; General de Aguas de Barcelona; Union y Fenix; Esp. a. Tudor. Change to capitalisation weighting: Banco Exterior 100 per cent (from 49 per cent).

● The Committee confirmed that Thailand and Brazil will be added to the World Indices with effect from November 1 1994, along with a new Americas Index. The World Ex-South Africa Index will be discontinued from the same date, but in response to the wishes of many users of the Indices, the current North America Index will be maintained.

*All enquiries should be made to Symon Bradford, NatWest Securities Limited, on 031-243-4258 or to Barbara Mueller, Goldman, Sachs Co, on 0101-212-902-6777.*

**FT-ACTUARIES WORLD INDICES**

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | TUESDAY SEPTEMBER 20 1994 | | | | | | | | MONDAY SEPTEMBER 19 1994 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 52 week High | 52 week Low | Year ago (approx) |
| Australia (68) | 173.80 | -0.3 | 163.47 | 107.39 | 140.13 | 155.30 | -0.3 | 3.57 | 174.26 | 164.78 | 108.79 | 140.88 | 155.74 | 189.15 | 141.14 | 141.14 |
| Austria (18) | 188.21 | -1.5 | 175.14 | 115.06 | 150.13 | 150.11 | -1.6 | 1.07 | 188.96 | 178.70 | 117.96 | 152.56 | 152.66 | 188.89 | 164.64 | 172.66 |
| Belgium (37) | 168.00 | -0.8 | 158.02 | 103.81 | 135.46 | 132.19 | -0.9 | 4.18 | 169.31 | 160.10 | 105.70 | 136.66 | 133.43 | 177.04 | 143.62 | 148.82 |
| Canada (104) | 138.81 | -1.0 | 130.55 | 85.77 | 111.91 | 135.07 | -1.8 | 2.48 | 140.26 | 132.62 | 87.56 | 113.22 | 137.24 | 146.31 | 120.64 | 122.01 |
| Denmark (33) | 254.39 | -0.2 | 239.26 | 157.18 | 205.10 | 211.02 | -0.4 | 1.41 | 254.81 | 240.96 | 158.08 | 205.70 | 211.90 | 276.79 | 223.94 | 229.75 |
| Finland (24) | 176.09 | -0.8 | 165.62 | 108.80 | 141.97 | 182.44 | -0.8 | 0.77 | 177.11 | 167.48 | 110.57 | 142.98 | 183.97 | 181.70 | 104.29 | 108.32 |
| France (97) | 168.76 | -0.3 | 158.73 | 104.28 | 136.06 | 140.35 | -0.4 | 3.14 | 169.32 | 160.11 | 105.71 | 136.69 | 140.89 | 185.37 | 159.34 | 166.92 |
| Germany (58) | 142.46 | -0.6 | 133.99 | 88.03 | 114.86 | 114.86 | -0.6 | 1.78 | 143.37 | 135.57 | 89.51 | 115.74 | 115.74 | 150.40 | 124.32 | 128.86 |
| Hong Kong (56) | 405.08 | 0.3 | 381.01 | 250.30 | 326.60 | 401.88 | 0.3 | 3.05 | 404.03 | 382.05 | 252.24 | 326.16 | 400.62 | 508.56 | 352.08 | 392.08 |
| Ireland (14) | 212.05 | -0.8 | 199.45 | 131.03 | 170.97 | 192.10 | -0.9 | 3.32 | 213.79 | 202.16 | 133.47 | 172.59 | 193.76 | 216.60 | 161.54 | 169.92 |
| Italy (59) | 83.24 | 1.2 | 78.29 | 51.43 | 67.11 | 96.98 | 0.7 | 1.80 | 82.27 | 77.80 | 51.36 | 66.42 | 96.36 | 97.78 | 77.88 | 74.58 |
| Japan (469) | 161.83 | 2.4 | 152.21 | 100.00 | 130.48 | 100.00 | 1.3 | 0.77 | 158.09 | 149.49 | 98.70 | 127.63 | 98.70 | 170.10 | 124.54 | 156.01 |
| Malaysia (97) | 592.65 | 0.5 | 557.41 | 366.32 | 477.99 | 583.03 | 0.4 | 1.43 | 589.82 | 557.74 | 368.23 | 476.17 | 580.62 | 621.63 | 392.03 | 398.36 |
| Mexico (18) | 2329.94 | -0.3 | 2191.42 | 1439.84 | 1878.49 | 8677.83 | 0.0 | 1.18 | 2336.48 | 2209.34 | 1458.57 | 1886.18 | 8679.14 | 2547.08 | 1615.11 | 1668.37 |
| Netherland (27) | 209.79 | -1.0 | 197.32 | 129.63 | 169.15 | 166.51 | -1.1 | 3.46 | 211.92 | 200.40 | 132.31 | 171.09 | 168.26 | 216.19 | 180.26 | 183.71 |
| New Zealand (14) | 72.63 | -1.1 | 68.50 | 45.00 | 58.72 | 64.05 | -1.2 | 3.73 | 73.67 | 69.66 | 45.99 | 59.47 | 64.81 | 77.59 | 59.22 | 60.25 |
| Norway (23) | 195.46 | 0.2 | 183.83 | 120.77 | 157.58 | 180.33 | 0.0 | 1.63 | 195.08 | 184.47 | 121.79 | 157.49 | 180.30 | 211.74 | 165.52 | 175.62 |
| Singapore (44) | 371.60 | 1.0 | 349.51 | 229.61 | 299.60 | 252.79 | 0.7 | 1.67 | 367.82 | 347.81 | 229.64 | 296.94 | 250.97 | 378.82 | 285.31 | 285.95 |
| South Africa (59) | 309.90 | 1.2 | 291.47 | 191.48 | 249.86 | 297.35 | 0.8 | 2.15 | 306.24 | 289.57 | 191.19 | 247.22 | 294.84 | 314.24 | 184.39 | 188.57 |
| Spain (42) | 138.61 | -1.1 | 130.37 | 85.65 | 111.75 | 134.84 | -1.3 | 4.26 | 140.09 | 132.46 | 87.46 | 113.09 | 136.66 | 155.79 | 126.86 | 139.68 |
| Sweden (36) | 225.16 | -0.6 | 211.77 | 139.12 | 181.53 | 246.01 | -0.4 | 1.60 | 226.46 | 214.14 | 141.38 | 182.82 | 250.07 | 231.35 | 175.83 | 183.84 |
| Switzerland (47) | 165.44 | -0.6 | 155.60 | 102.22 | 133.38 | 131.65 | -0.6 | 1.84 | 166.15 | 157.14 | 103.75 | 134.15 | 132.65 | 176.56 | 138.69 | 139.40 |
| United Kingdom (204) | 195.30 | -0.8 | 183.69 | 120.67 | 157.46 | 183.69 | -1.3 | 4.11 | 196.78 | 186.07 | 122.85 | 158.86 | 186.07 | 214.90 | 181.17 | 187.47 |
| USA (517) | 189.10 | -1.5 | 177.86 | 116.84 | 152.46 | 189.10 | -1.5 | 2.87 | 192.02 | 181.57 | 119.88 | 155.01 | 192.02 | 196.04 | 178.95 | 185.12 |
| EUROPE (717) | 170.29 | -0.6 | 160.16 | 105.22 | 137.29 | 150.68 | -0.9 | 3.06 | 171.25 | 161.93 | 106.91 | 138.24 | 151.99 | 178.58 | 153.98 | 157.53 |
| Nordic (116) | 218.48 | -0.4 | 205.49 | 135.00 | 176.15 | 207.14 | -0.5 | 1.43 | 219.44 | 207.50 | 137.00 | 177.15 | 208.11 | 222.18 | 173.19 | 175.73 |
| Pacific Basin (748) | 172.09 | 2.0 | 161.86 | 106.34 | 138.75 | 111.39 | 1.1 | 1.08 | 168.70 | 159.53 | 105.32 | 136.20 | 110.16 | 178.86 | 134.79 | 160.09 |
| Euro-Pacific (1465) | 171.20 | 0.9 | 161.03 | 105.79 | 138.03 | 127.15 | 0.3 | 1.92 | 169.65 | 160.42 | 105.91 | 136.96 | 126.80 | 175.14 | 143.86 | 158.93 |
| North America (621) | 185.97 | -1.5 | 174.92 | 114.91 | 149.94 | 185.35 | -1.5 | 2.86 | 188.80 | 178.53 | 117.87 | 152.41 | 188.22 | 192.73 | 175.67 | 182.16 |
| Europe Ex. UK (513) | 153.04 | -0.4 | 143.94 | 94.56 | 123.38 | 130.90 | -0.6 | 2.48 | 153.73 | 145.36 | 95.97 | 124.10 | 131.71 | 158.12 | 134.97 | 138.40 |
| Pacific Ex. Japan (279) | 270.96 | 0.2 | 254.85 | 167.42 | 218.46 | 240.44 | 0.1 | 2.70 | 270.40 | 255.69 | 168.81 | 218.29 | 240.08 | 296.21 | 200.42 | 200.42 |
| World Ex. US (1646) | 173.14 | 0.8 | 162.84 | 106.98 | 139.59 | 131.08 | 0.2 | 1.93 | 171.72 | 162.33 | 107.18 | 138.59 | 130.78 | 176.65 | 145.59 | 155.90 |
| World Ex. UK (1959) | 175.98 | 0.1 | 165.52 | 108.54 | 141.82 | 145.51 | -0.3 | 2.06 | 175.50 | 165.95 | 109.58 | 141.68 | 145.94 | 178.08 | 158.86 | 165.00 |
| World Ex. So. Af. (2104) | 176.58 | 0.0 | 166.08 | 109.10 | 142.36 | 147.93 | -0.4 | 2.26 | 176.57 | 166.96 | 110.23 | 142.54 | 148.35 | 180.03 | 158.54 | 166.95 |
| World Ex. Japan (1694) | 187.77 | -1.0 | 176.60 | 116.02 | 151.38 | 177.87 | -1.1 | 2.69 | 189.68 | 179.26 | 118.35 | 153.04 | 179.82 | 195.20 | 174.04 | 174.80 |
| The World Index (2163) | 177.40 | 0.0 | 166.85 | 109.62 | 143.03 | 149.02 | -0.4 | 2.26 | 177.39 | 167.73 | 110.74 | 143.20 | 149.60 | 180.90 | 158.85 | 166.98 |